FINANCIAL TIMES

No. 27,525 Tuesday April 4 1978 *15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Pts.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Carter call suicidal—bishop

The Rhodesian-based black nationalist factions yesterday angrily rejected renewed Anglo-U.S. efforts to convene a conference of all the parties to the Rhodesia dispute.

Bishop Muzorewa's United African National Council described President Carter's call during his Nigeria visit for such a conference as "fruitless, suicidal and impudent."

At Mpopoma, a black township outside Bulawayo, Rhodesian police used tear-gas to break up a 2,000-strong demonstration in favour of the Patriotic Front guerilla alliance.

Meanwhile, President Carter, before returning to Washington from Monrovia, Liberia, told South Africa that it must move towards an internationally acceptable arrangement for black majority rule in Namibia (South-West Africa). Back and Page 3. Men and Matters, Page 16

Heyerdahl burns reed boat in anti-war protest

Prof. Thor Heyerdahl, 63, the Norwegian explorer of Kon Tiki renown, burned his reed boat, Tigris, at Djibouti yesterday in what he described as a protest against war in the Horn of Africa. Prof. Heyerdahl arrived at the Red Sea port last Wednesday after a 10-week voyage from southern Iraq in an attempt to prove that the ancient Sumerians of Mesopotamia could have reached India and Africa in this ...

... riots

Troops took control of sensitive areas in the Indian cities of Hyderabad and Secunderabad after rioting in which at least nine people were shot dead and more than 80 injured. A 48-hour curfew was imposed.

Ulster arms find

Police searching a Belfast house found a U.S.-built M60 machine-gun, a full belt of ammunition, a cassette incendiary bomb and four pistols. The Provisional IRA has made M.60 attacks in Londonderry, Belfast and South Armagh.

Arrest sought

The Foreign Office has instructed the British High Commission in Malta to request the provisional arrest of Mr. John Gaul, the businessman, who is wanted in Britain for questioning in connection with the murder of his wife. Mr. Gaul was last night aboard his yacht in a Malta marina.

Armed raids

Gunmen in two separate raids snatched £24,000 from security guards at the National Westminster Bank's Romford Road, Forest Gate, East London, branch and £9,000 from a Chiswick, West London, sub-post office. No shots were fired.

Briefly . . .

Herr Hanns-Dietrich Genscher, West German Foreign Minister, is expected in Washington to-day to agree to deployment of the neutron bomb in his country.

Mr. Leonid Brezhnev, the Soviet leader, is to visit West Germany next month. Page 2

Nicolas Poussin's The Adoration of the Golden Calf, reputed to be worth £500,000 was badly slashed in London's National Portrait Gallery.

Sig. Andreotti, Italian Premier, called in party leaders for discussions on the possibility of offering ransom money for the kidnapped former premier, Sig. Aldo Moro.

Spanish riot police, firing rubber bullets and smoke-bombs, clashed in Cadiz with several hundred fishermen on strike for more pay.

Captain Mark Phillips, 29, husband of Princess Anne, is due to appear at Bow Street court on Monday accused of speeding in Whitehall.

Princess Margaret is in bed with flu at Windsor Castle.

John Wayne, the actor, underwent open heart surgery in Boston. Doctors said his condition was satisfactory.

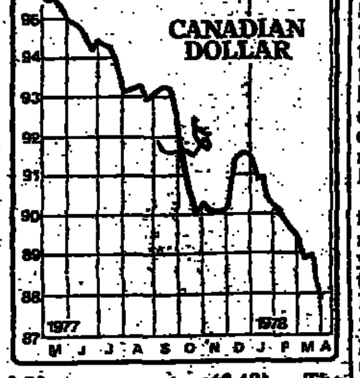
BUSINESS

Late rally aids equities

● EQUITIES attracted little interest in view of the approaching Budget and the FT ordinary index closed 1.3 down at 462.5 after a modest rally in late dealing among leaders.

● GILTS benefited from a late rally, and the Government Securities index closed 0.03 down at 73.86.

● STERLING gained ½ cent to $1.8680 with its trade weighted index unchanged at 61.8. The dollar suffered heavy selling until Bundesbank intervention, and its depreciation widened to



6.50 per cent. (6.49). The Canadian dollar reached a new low at 87.925 cents.

● GOLD lost $1¼ to $182¼ and fell sharply in New York on news that Switzerland is to end its 40 per cent. gold backing for banknotes.

● WALL STREET closed 6.32 down at 751.04.

● U.S. TREASURY bills were: threes 6.427 per cent. (6.31), and sixes 6.717 per cent. (6.666).

● SONATRACH, the Algerian state energy institution, is seeking a 14-year maturing date on a $350m. loan it is negotiating with international banks, to help finance a $3bn. trans-Mediterranean gas pipeline. Back Page

● U.S. STEEL Corporation has announced a modification of its posted $10.50-a-ton price rise, following criticism by President Carter.

New services for Giro

● POST OFFICE is to introduce three new services to the National Giro system to make it more competitive with clearing banks. Back Page

● BRITISH AIRWAYS is close to choosing the U.S. Boeing 737 as immediate replacement for ageing Trident and One-Eleven jets. Back Page

● DOMESTIC RATES have risen by an average 11 per cent. this year, compared with last year's average increase of 15 per cent. Back Page and Editorial Comment, Page 16

● NAMES of companies on the Government pay guidelines black list are to be published, with their consent, in Trade and Industry, the Department of Industry's weekly magazine. Parliament, Page 10

● TOUGHER Government policy towards company mergers will be discussed in Cabinet before publication of a Green Paper on competition policy next month. Page 6

COMPANIES

● HEPWORTH CERAMICS is making a £28m. bid for Johnson-Richards Tiles, on the terms of one Hepworth share at 79p and 39p in cash for each J-R share. Back Page

● OCEAN TRANSPORT second half pre-tax profits were halved from £26.14m. to £12.9m. bringing the figure for the whole of 1977 down to £39.08m. (£41.2m.). Page 30 and Lex

● FREEMANS (London SW9) expanded pre-tax earnings to £7.55m. (£5.84m.) in the second half, advancing profits for the year to January 28 by £2.72m. to £13.06m. on sales of £166.47m. (£140.61m.). Page 30 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Bishop's Stores	160	+ 5
Brown and Jackson	57	+ 4
Burndene Inv.	16½	+ 3
Channel Tunnel	59	+ 16
Comben Group	32	+ 3
Finkie Heel	23	+ 4½
Freemans	284	+ 12
Grattan Warehouses	129	+ 4
Hurst (C.)	86	+ 4
Letraset Intnl.	133	+ 8
Queens Moat Houses	30	+ 2½
Ricardo Engineers	139	+ 6
Robertson Foods	148	+ 11
Securicor	97	+ 10
Unisec	63xd	+ 5
Unitech	103	+ 4
Wheatsheaf	160	+ 8
EZ Inds.	175	+ 10

FALLS

Berkeley Hambro	92	− 4
Bowring (C. T.)	105	− 6
EC Cases	12	− 2
Furness Withy	230	− 8
Gt. Portland Estates	278	− 12
MEPC	115	− 7
Mills and Allen Intnl.	162	− 8
Rowntree Mackintosh	380	− 5
Scottish TV A N/V	61	− 9
Wigfall (H.)	200	− 22
BP	752xd	− 9
Shell Transport	518xd	− 7
Siebens (U.K.)	252	− 6
London Sumatra	133	− 12
De Beers Dfd.	327xd	− 13
Durban Deep	215	− 20
Kinross	346xd	− 13
RTZ	195	− 7

Government backs Leyland investment with £850m. funds

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

British Leyland has won unequivocal backing from the Government for a revised £1.3bn. investment programme which will include the injection of £850m. worth of State funds over the next four years.

Support for the new plan, outlined yesterday by the National Enterprise Board, Leyland's main shareholder, is a triumph for Mr. Michael Edwardes, the company's new chairman.

He has been given almost everything he asked for in his review of Leyland's future, including a new equity provision of £450m., and fresh monitoring arrangements which will give him freedom to push ahead with capital investment irrespective of the short-term industrial relations position.

Mr. Eric Varley, Industry Secretary, said in London that the management had the "right to expect our full support in their efforts to put British Leyland on a sound footing. I am encouraged by the recent evidence of improvements in the market share and output of Leyland Cars."

Unlike the Ryder report, which formed the basis for the Government rescue of Leyland three years ago, the new strategy for the company has not been published in detail. But the NEB report on the company's plan, presented to Parliament yesterday, indicates that almost all the assumptions on which the Ryder re-organisation was based have been swept aside.

The one feature which remains almost intact from Ryder is the total Government funding commitment of £1bn. between 1975 and 1982. So far, £150m. of this has been spent, leaving the £850m. which the company is asking for up to 1981.

The form of these funds will be different, involving a larger equity element than originally intended. Leyland is asking for £450m. this year, with the possibility of further amounts to be reviewed at the time of injection.

It is clear from the NEB report that Leyland needs this increase in equity to restore its ability to attract loans from private sources. At present, says the report, the company has an unsatisfactory debt equity ratio of

NEB report Page 5
Parliament Page 10
Lex Back Page

75:25, while £450m. worth of new equity will produce a ratio of 49:51 which will "go some way towards the company's objectives."

Provision of the funds will come in a rights issue which will be made in the near future, and which is expected to raise the Board's stake in Leyland from 95 per cent. to 99 per cent. There will be two separate advances this year. These will be split between the Board and the Industry Department, which will provide £150m. under section 8 of the Industry Act 1972.

This split in the funding means that the Board will retain greater freedom to invest in other projects. But at the same time, the Board's £300m. commitment to Leyland means that the limits on its lending powers will have to be raised from £700m. to £1bn., as envisaged in the Industry Act of 1975.

Mr. Varley said yesterday that a draft order to raise the Board's financial limits had been laid in the Commons and this is expected to be followed by a debate next week.

The Board's report is a markedly more cautious document than the Ryder plan. It makes no pretence that Leyland will be restored to the ranks of the leading competitors in the world motor industry within the next few years and avoids mention of specific targets and market share objectives.

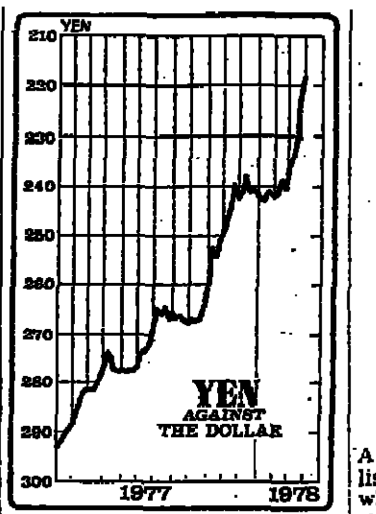
It makes it clear that the Board believes that there were fatal flaws in the centralised organisational structure established for the company in ' and that the management had to be changed.

Other points made in the report include:

1—Monitoring of Leyland's performance by the board will no longer be tied to specific improvements in industrial relations and productivity. Finance will be allocated annually against an updated corporate plan.

2—Big efforts are to be made to improve productivity, with the aim of increasing car output per man per year from 5.40 in 1977 to 6.40 this year and 8.0 in later years.

3—There will be a net job loss this year of 10,000 excluding the effects of the Speke closure.



Dollar below Y220

BY DOUGLAS RAMSEY

TOKYO, April 3.

EMBARRASSED by soaring foreign exchange reserves which now top $29.2bn., the Bank of Japan refused to intervene in exchange markets to-day and instead let the U.S. dollar drop below the Y220 mark for the first time since the war.

The dollar fell Y5 from Friday's closing rate to Y218.15 before closing slightly stronger at Y218.2. Thus, the yen's appreciation since the start of 1978 has been 10 per cent.

The absence of dollar support buying was in sharp contrast with bank's policy during March when Japanese authorities added $5bn. to their foreign exchange reserves on the proceeds of intervention by the bank.

To-day's announcement of the increase in foreign exchange reserves from $24.2bn. to $29.2bn. was one of the two key factors causing the dollar's decline on the market.

The other factor, according to exchange dealers, was the weekend release of American trade figures for February, which showed an all-time monthly high deficit of $4.5bn. in U.S. trade. Japan alone accounted for nearly $1bn. of the U.S. deficit.

Officials said the new policy of the Bank of Japan was worked out in discussions between Mr. Takeo Fukuda, the Prime Minister, and Mr. Michiya Matsukawa, the Vice-Minister of Finance, and his chief advised for international financial matters.

The bank, which intervenes on behalf of the Finance Industry, may now let the yen seek its own level on exchange markets after six months of heavy intervention. It was thought that the bank mopped up about $5.2bn. in intervention during the fourth quarter of 1977, and a minimum

Continued on Back Page
Editorial comment, Page 16

£ in New York

—	April 3	Previous
Spot	$1.8640-8650	$1.8630-1.8640
1 month	0.05-0.02 prem	1.05 dis-0.03 pm
3 months	0.11-0.05 dis	0.08-0.02 dis
12 months	0.90-0.76 dis	0.85-0.70 dis

Rescue fund plan for home loan societies

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

A RESCUE fund may be established to help building societies which run into financial difficulties.

Moves to start the fund, which would be supported by the societies themselves, are expected to come in the wake of the collapse of the Grays Building Society in Essex.

Investigations following the death of Mr. Harold Jaggard, its chairman, showed that at least £7m. was missing from the Grays, which has assets of £11m.

An investigation into the losses on behalf of the Chief Registrar of Friendly Societies began yesterday and could take months. The society's offices are not expected to reopen for several weeks. It is thought that the business of the Grays will eventually be transferred to the Woolwich.

Pressure for a fund to meet any similar future financial failures is most likely to come from the country's five largest societies—the Halifax, Abbey National, Nationwide, Leeds Permanent and Woolwich Equitable—which have been asked by the Building Societies Association to step in and cover the losses.

The societies have had little choice but to comply in order to prevent the Grays affair from seriously undermining public confidence in building societies generally, although they are clearly angry at having to meet such a large bill from their own funds.

It seems likely that the largest societies will now insist that any such future losses are borne by a much wider number of societies and that contributions to a fund should be made, possibly related to the individual society's assets.

The big societies may also try to insist that they play no part in the fund because their own financial stability is great enough to ensure that they would never have to seek its assistance.

It also seems likely that there will be calls for greater powers to be invested in the Chief Registrar of Friendly Societies, the movement's "watchdog."

The registrar now regularly monitors all the societies' accounts and can, as a result of discussions with all the parties involved, avoid potential problems with the transfer of engagements from one society to another.

There could now be pressure from the societies themselves, as well as the riegstrar, to give him the authority to actually enforce transfers of engagements where funds were potentially at risk.

A tightening up of some of the regulations which control building society operations could also be put in hand.

The latest developments will do nothing to improve relationships between the larger societies and their smaller counterparts, which now co-operate on general policy matters through the Building Societies Association.

Some of the largest societies feel their operations have been unduly hindered by consideration for their comparitively tiny and invariably less efficient colleagues — most recently in the field of interest rates.

The Grays casualty Page 16

Healey-Steel talks on Budget break down

BY RICHARD EVANS, LOBBY EDITOR

TALKS ON Budget strategy between Mr. Denis Healey, Mr. David Steel and Mr. John Pardoe ended in deadlock last night when the Chancellor refused to meet the demands of the Liberal leaders.

During a brief 40-minute meeting at the Treasury, Mr. Healey made it clear that he would not be able to adopt the Liberal policy of achieving big cuts in direct taxation of £4.4bn. partly by raising duties on tobacco and alcohol, by increasing value added tax to 10 per cent. and by raising employers' national insurance contributions by 1½ per cent.

The stage seems set for conflict between the Government and Liberal MPs on the details of Mr. Healey's budget statement next Tuesday, although the Liberals are unlikely to vote against the Budget or the second reading of the Finance Bill.

Ministers did not appear to be unduly worried about the future last night and there is no sign that the Lib-Lab pact will be ended prematurely, thus forcing Mr. Callaghan into holding an unwelcome General Election in the summer.

The 13 Liberal MPs will meet at Westminster to-morrow to hear reports from Mr. Steel and Mr. Pardoe, and to discuss tactics.

A final decision will have to await the Budget speech and publication of the Finance Bill. But the most likely tactic will be to table amendments to the Bill urging further cuts in income tax and a sharper shift from direct to indirect taxation.

This could put the Government in some difficulty if Liberal proposals coincide with those of the Tories.

Failure to agree last night was caused primarily by Mr. Healey's resolute refusal to adopt policies which would increase significantly the retail price index. Government estimates show that Liberal proposals would increase the cost of living by about three points later this year, thus probably driving the index back into double figures. In a likely election year this would be politicaly unthinkable for the Government.

In addition, Ministers believe that the proposal to increase employers' national insurance contribution could put up unemployment at the worst possible time for the Government.

The Liberals want the standard rate of income tax cut from 34 to 30 per cent. and continuation of this rate up to £8,000 a year, plus big cuts in higher rates to increase incentives.

Now, the Liberals may not publish formally their full Budget proposals in order to maintain more flexibility when the Finance Bill is going through Parliament.

Ex-Civil Service head joins Bank of England

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE FORMER head of the Civil Service has been appointed a special full-time adviser to the Governor of the Bank of England.

Lord Croham, previously Sir Douglas Allen, retired from the Civil Service at the end of last year and will start his appointment as Adviser to the Governor next Monday.

The Bank said yesterday that Lord Croham would concentrate initially on industrial problems. His work is intended to complement that of Sir Henry Benson, who has been acting as Adviser to the Governor for the last three years, mainly on questions of industrial finance.

It is not expected that Lord Croham will become involved in special projects, but rather that he will help to broaden the range of general advice available to the Governor on a whole series of economic and industrial issues.

Whereas Sir Henry Benson's main connections have been with the private sector, Lord Croham's experience has been solely in the public sector. His only direct involvement with industry was in the Department of Economic Affairs.

The appointment of a former senior civil servant to a full-time position in the Bank is highly unusualy. The recent preference of most retired Permanent Secretaries has been to take directorships in industry or the City.

Lord Croham was head of the Home Civil Service from 1974 to 1977, and before that was Permanent Secretary to the Treasury for six years.

BOC fails to block Airco bid

BY STEWART FLEMING NEW YORK, April 3.

BOC INTERNATIONAL directors on the Board of Airco, the U.S. industrial gases producer, failed to-day to block a rival $600m. bid for Airco from Martin Marietta, a leading U.S. aluminium and aerospace group.

Before an Aircor Board meeting in New Jersey, BOC, claiming to control 54 per cent. of Airco's stock, tried to paralyse the opposing majority on the Airco Board.

It said that as majority shareholder it was changing the bye laws of Airco to require that all directors be present to make a quorum for a Board meeting and that all Board decisions be unnimous. It also said it was abolishing all Airco Board committees.

But the Airco Board rejected the validity of the BOC move—Airco is challenging BOC's right to vote the 15 per cent. of stock it acquired earlier this week. Then, over the objections of the three BOC directors on its Board, voted to approve a preliminary merger agreement with Martin Mariettam.

The Martin Marietta offer is, however, dependent on strict conditions. These include Airco winning a litigation with BOC which would prevent BOC voting the 15 per cent. holding and thus remove its voting majority.

The trial of the law suit is due to begin in Dellaware on April 10.

Martin Marietta has also put a time limit on its offer, requiring that a majority of shareholder approve the $50 a share bid by May 31.

The court's decision in the litigation could play a vital role in the battle for control of Airco if it goes against Boc. This would put pressure on BOC to either match the Martin Marietta offer or accept it.

If it did neither, then it would come under heavy fire at the Airco shareholders' meeting to be called early in May to decide on the Martin Marietta bid.

Some evidence of the pressures already building up emerged to-day when the State of New Jersey Bureau of Securities called on BOC not to excercise its voting rights acquired since January 4, this year.

CONTENTS OF TO-DAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

French Parliament inaugurated with a roll of drums

BY DAVID CURRY PARIS, April 3.

THE DRUMS of the Garde Republicaine rattled into sudden life. The packed galleries strained forward and the MPs stuffed their newspapers quickly under their desks.

M. Marcel Dassault, dressed in a long morning coat, mounted the steps and settled into the red-and-gilt Speaker's chair surrounded by the six youngest members, all 30 or below.

The sixth National Assembly of the Fifth Republic entered its inaugural session. M. Dassault, octogenarian, MP for Beauvais, talented aircraft-designer, reputedly the richest man in France, Gaullist by conviction and business, was exercising his right as the oldest member of the Assembly to take the chair, and to preside over the election of a Speaker.

The 491 members sit according to alphabetical order irrespective of party or experience. Almost a third of them are first-timers. M. Jacques Chirac, hunched on the bench, Gaullist leader, kept company with M. Jean-Pierre Chevenement, the leader of the left-wing of the Socialists. M. Michel Debre, the first Prime Minister of General de Gaulle, found himself in company with M. Gaston Defferre, the ebullient Socialist Mayor of Marseille.

All MPs are voting. The new Government has not been formed. And, as a result, the Government benches were empty. The ex-Ministers can vote as simple deputies—some of them for the very first time—including M. Raymond Barre, Premier-designate.

M. Dassault, in his catarrhal, slightly nasal voice began "I want to talk about unemployment." He spoke of the threat of imports and of the problems of industrial financing. He called for a great Universal Exhibition in Paris in 1980 to attract tourists and foreign exchange And he proposed a Wealth Tax to go into a special state investment fund.

The job of Speaker is being contested. The Gaullists nominated M. Edgar Faure, 69, the previous Speaker, as the party's nominee.

But M. Jacques Chaban-Delmas, a Prime Minister under President Pompidou, and for 11 years Speaker of the Assembly, is also seeking the job. As a glorious grande finale to a distinguished if ultimately disappointing career or, at 63, as a new springboard to a bid for the presidency in 1981? He didn't say.

The first-round vote was announced. Chaban 153; Faure 136; Pierre Mauroy (the Socialist) 112; Maurice Andrieux (the Communists) 86.

M. Faure, blinking back bitter disappointment from a strained face, withdrew and made Chaban's election a certainty to resume the position of Speaker, which will make him the fourth man in France behind the President, the Prime Minister and the president of the Senate.

He was elected with 276, against 112 for M. Mauroy and 85 for M. Andrieux.

Reuter adds from Bonn: Secret talks yesterday in France between West German Chancellor Helmut Schmidt and French President Valery Giscard d'Estaing dealt exclusively with curency issues, the Chancellor's chief spokesman, Herr Klavs Boelling said to-day.

He added that Herr Schmidt believed the problem of continuing currency unrest should be on the agenda at the summit conference here in July of the seven leading non-Communist countries.

ROYAL Dutch Shell, charterer of the oil tanker Amoco Cadiz, has become a prime target of environmentalist and other groups who are enraged by the damage to Brittany's coastline, writes David White from Paris. The group's French subsidiary, Shell Francaise, which has borne the brunt of the attack—a campaign to boycott its petrol—is just as angry. The company is suing a consumer protection society, Union Federale des Consommateurs, for Frs.1m. (about £115,000) for urging customers to ostracise Shell.

German engineering workers settle for 5% pay rise

BY ADRIAN DICKS BONN, April

THE WEST German Government's target of a maximum 5.5 per cent. increase in total earnings this year will be barely respected by the 5 per cent. pay increase for engineering workers in the south-west of the country, agreed early this morning in Stuttgart. In their reactions to the deal, however, the two coalition parties in Bonn emphasised the ending of a three-week strike-cum-lockout that has already proved one of the longest and most costly industrial disputes in post-war West German experience.

The settlement, which has yet to be endorsed both by the rank-and-file of IG-Metall, the engineering union, and by the employers, also contains clauses safeguarding earnings and job classifications in the event of labour-saving technological innovation by companies. These provisions, considered a breakthrough by both sides, have been hailed as the first attempt to protect the international competivity of West German industry by allowing new investment, yet providing the people directly affected with a "soft landing."

In addition, the deal will abolish the lowest of the present wage categories and will require employers to prove fully the case for downward reclassificiation. A 5 per cent. pay rise for the region's 560,000 engineering and metal industry workers is back-dated to January 1, with payment of a DM411 lump sum.

Both IG-Metall and the employers' leaders expressed satisfaction at the terms of the deal. However, the strike by some 90,000 union members and the retaliatory employers' lockout of a further 146,000 workers are expected to continue for at least two more days, pending ballots of the union rank-and-file and further deliberations by the employers.

As a result, further short-time working in other parts of West Germany was considered likely, especially in the motor industry, where the supply of parts and components produced in the Stuttgart region has virtually dried up.

This morning's settlement will not automatically be adopted by other wage negotiating regions in the engineering industry, although it is bound to weigh very heavily on them. As on several occasions in the past, the North Wuerttemberg-North Baden area has broken new ground with the wage classification guarantees, which are not on the table in other regions. In addition, the employers' leaders in some other areas are reported to favour a harder line on wages.

Despite this caveat, it is considered unlikely that IG-Metall, after spending an estimated DM200m. on strike pay, will want to push matters to the same point in any other regions. Similarly, the settlement is likely to serve as a yardstick once again for other industries still in the earlier stages of bargaining.

For the federal and local governments, the next test is that of the public service wage contract, on which discus[...] open later this week.

● West German mining ind[...] associations said to-day [...] mining and energy union (I[...] claim for a 6.5 per cent. [...] rise from May 1 is unten[...] Reuter reports from Essen.

The IGBE said it will [...] the claim for about 19[...] workers in its Ruhr, [...] Aachen and Ibbenbueren [...] as well as calling for a red[...] working week to 40 from 42 [...] in continuous-work plants su[...] power stations and coke wo[...]

No date for negotiation[...] yet been fixed.

Bonn may act in dispute over Thistle oil disposal

BY JONATHAN CARR IN BONN AND RAY DAFTER IN LONDON

THE WEST German Government may step into the row between the German oil group, Deminex, and the British Government over exports of North Sea crude.

However, for the time being the Bonn Government is keeping a low profile in the hope that Deminex can resolve its own difficulties resulting from restrictions on the use of its North Sea production. Deminex has been refused complete freedom in the disposal of its share of Thistle Field production; it has been told by the British Government that a large proportion must be handled in the U.K.

The Germans are anxious that the matter should not inflate into a further political tussle with the British along the lines of the EEC fishing dispute, involving a collision between the interpretation of national and European Community rights.

Nonetheless, two important elements are involved in the matter: one of West German energy policy in general, the other the readiness of West German industry to increase investment in Britain.

Bonn has given its support to Deminex to seek oil world-wide and to help secure supplies for West Germany, which has to import almost all its needs.

High hopes have been set in particular on the Thistle Field, where Deminex is the largest single shareholder with a stake of more than 40 per cent. Months ago. Deminex was told by the British it could directly export only 50 per cent. of its supplies from the field to West Germany. The other 50 per cent. would have to be landed in Britain.

The British side evidently feels it was being generous in offering even this deal. Deminex felt otherwise and continued to hope for considerably more. The British now appear to have dashed these hopes, insisting on 50-50.

The second point, regarding investment, involves Veba. This is West Germany's biggest company in turnover terms, the Federal Government has a large stake in it—and Veba has a majority stake in Deminex.

At least part of Veba's hopes for better results in the oil sector lie with the coming on stream of supplies from Thistle via Deminex. It is thus clearly concerned at how the current problem is resolved.

Further, Veba is one key concern which the British Government is seeking to impress with the benefits to be derived from investment in Britain. It is no matter for surprise that Veba itself sees a connection between the British attitude to the landing of North Sea oil and of its own attitude to further investment in the U.K.

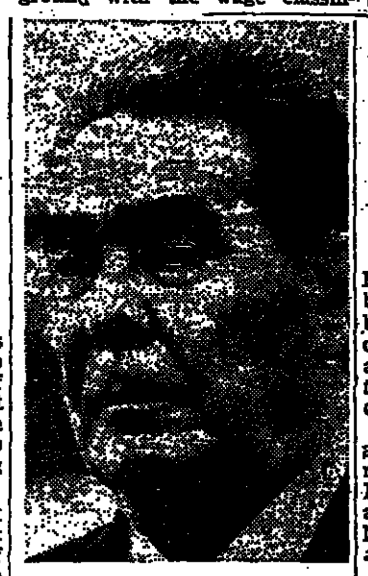
The exporting issue has been brought to a head with the production start-up on the Thistle Field. Some 125,000 barrels of oil have already been loaded into a tanker, although the production programme has been frustrated by bad weather. The first cargo will be handled by British National Oil Corporation which has a 21 per cent. stake in Thistle.

Negotiations over the export of Deminex's crude have lasted for several months. Within Whitehall it is pointed out that Deminex's special position has already been recognised in the special conditions attached to the group's state participation deal. Under this agreement, Deminex will have the unique right to export about 50 per cent. of its crude. When BNOC's option to buy up to 51 per cent. of Deminex's crude takes full effect in about five years time, the German group will be able to export the whole of its remaining share.

At first the U.K. Department of Energy insisted that Deminex should land its initial cargo of oil in the U.K. which would have left the company free to export the second cargo to West Germany. Apparently Deminex—which was not available for comment yesterday—asked for this ruling to be changed and sought permission to export its initial cargo. Permission for this was granted on the understanding that the second cargo remained in the U.K. Deminex is then reported to have told the Department of Energy that this was not possible as it had under taken commitments for the second load.

The position remains that the Department of Energy is now waiting for Deminex to decide which of the first two cargoes will be exported.

At the heart of this dispute is the Government's insistence that Britain has sovereignty over its oil. But the issue is also linked with another controversial policy concerning the use of North Sea oil in U.K. refineries. Energy Ministers are insisting that two-thirds of North Sea oil must be refined in domestic plants in spite of protests from the oil industry. Oil companies claim that products produced by U.K. refineries do not need such a high proportion of premium crude oil that comes from the North Sea. They further claim that the British Government's adherence to the two-thirds rule is eroding the premium value of the high quality U.K. oil.



Brezhnev on China border visit

By David Satter MOSCOW, April 3.

MR. LEONID BREZHNEV, the Soviet President, visited military units near the Sino-Soviet border to-day and, underscoring the tough Soviet policy in the border dispute, urged troops to be worthy of those who defended the country's frontiers during the Second World War.

With relations between China and the Soviet Union worsening appreciably in recent weeks, Mr. Brezhnev visited military units at Pechanka near Chita, which is 200 miles from the Chinese border and the place where Mr. Brezhnev began his own military service in 1935.

In remarks apparently intended to encourage troops along the entire frontier, Mr. Brezhnev wrote in the honour book of one of the Pechanka units that soldiers and officers there were preserving the traditions of those wartime Soviet troops who "without sparing their blood," fought "the sacred fight" and defended their homeland.

Mr. Brezhnev was on the sixth day of a train tour across Siberia. His visit to the units followed publication of an editorial in the Communist Party newspaper Pravda which effectively rejected the notion of Soviet troop withdrawals from the border because "the Soviet population would be left without any protection and coverage while Chinese troops would remain on the old frontiers."

The Chinese recently rejected a Soviet proposal for a joint declaration of principles saying that troop withdrawals from the border and from Mongolia and recognition of "disputed areas" along the frontier must precede any talks on improving relations. They said these points were accepted in a "mutual understanding" reached between Soviet Premier Alexei Kosygin and Mr. Chou En-Lai Chinese Premier in Peking in 1969.

The Pravda editorial over the week-end gave an unusually detailed Soviet response to the Chinese claim, arguing that the 1969 meeting resulted only in an agreement to normalise relations and recognition of the need for a border settlement.

U.K., Ireland block fishing agreements

BY MARGARET VAN HATTEM LUXEMBOURG, Apr[...]

BRITAIN and Ireland to-day blocked fishing agreements between the EEC and other countries, but the move was made amid signs of a possible break-through in the negotiations for a common EEC fisheries policy.

Both countries refused once again to consider fishing agreements with countries outside the EEC, until at least the basis of arrangements for sharing out the Nine's own resources had been agreed.

The main obstacle to achieving an agreed internal policy has recently been Britains' insistence on "dominant preference" in a 12- to 50-mile zone around its coast. Originally it had demanded an exclusive 50-mile zone.

But there were strong indications to-day, at least from the British side, that the basis for a compromise may exist, one that could be thrashed out in a series of bilateral talks during the next three weeks.

The Nine have agreed meanwhile to continue until April 30 the present arrangements with Norway, Sweden and the Faroe Islands which are due to expire on April 15.

They will meet again on April 24 to discuss the new agreements negotiated by the European Commission with these cour[...]

The British team se[...] optimistic that the eagern[...] the other seven to con[...] external agreements will h[...] overcome their resistan[...] preferential treatment fo[...] U.K.

The essence of the new [...] promise would be the [...] concept of "dominant p[...] ence" which has not yet [...] formally defined.

It is understood, howeve[...] Britain wants permanent [...] to its quota granted this [...] in this zone, plus about a q[...] of whatever increase i[...] stocks may result from c[...] vation measures.

British officials would [...] confirm to-day whether [...] definition had been accept[...] the U.K. fishing industry [...] intensive talks with Wh[...] over the past few weeks [...] represents a considerable [...] down from the original de[...]

However, Mr. John Silk[...] U.K. Fisheries Ministe[...] believed to have raised th[...] in private talks yesterda[...] Mr. Finn Olav Gundelac[...] EEC Agriculture and F[...] Commissioner, and it i[...] gested he would not hav[...] so without first testing d[...] reaction.

Portugal-IMF talks hit[...]

BY JIMMY BURNS LISBON, Ap[...]

DIFFERENCES OVER the scale of the credit squeeze appears to be the main sticking point in negotiations between Portugal and the International Monetary Fund for a $50m. standby loan and the opening of a credit facilities worth $570m. from a group of Western countries to finance Portugal's balance of payments deficit.

Although the negotiations are officially still being conducted in secret, it is reliably understood that while agreement has been reached on the reduction in the balance of payments deficit to $900m. (the IMF originally insisted that it should be brought down from the current $1.2bn. to $800m.), the Government believes that an increase in the bank lending rate from 13 per cent. to 20 per cent. is too high. It would prefer an increase of about 3 per cent.

Nevertheless, despite some speculation that IMF intransigence, coupled with the Portuguese Government's fear of the political and social consequences of too severe austerity measures, might cause the talks to break down, there is a growing feeling that a compromise will be reached by the end of the week.

Portugal has already shown itself prepared to meet most of the IMF terms for the loan. These include greater control of public and private spending through increased taxation, a reduction of inflation to 20 per cent., and the introduction of a 20 per cent. ceiling on wage rises.

The IMF is believed to have accepted the Bank of Portugal's preference for gradual adjustments of the escudo which in the course of the year would amount to a devaluation of approximately 12 per cent.

Austerity is already b[...] to bite Portugal hard. Tr[...] and electricity costs hav[...] up by 50 per cent. in t[...] two weeks, and further in[...] are expected by the end [...] week. Many basic food ite[...] almost certainly go up b[...] per cent.

Meanwhile, in a maj[...] speech at the week-end, Sr. [...] Cunhal, the leader of the [...] guese Communist Party, [...] the Government of econo[...] competence and of tak[...] country towards econom[...] social disaster through it[...] tiations with the IMF.

He described the Gover[...] policies as a "national s[...] for allowing foreign lo[...] strangle Portugal as "a [...] rope would a hanging ma[...]

Sr. Mario Soares, the [...] Minister, is to outline hi[...] package of austerity meas[...] a speech on Wednesday [...] debate on the Gover[...] budget begins in Parliam[...]

● An intelligence expert [...] in Britain and the United [...] was named to-day as Po[...] new army Chief of Sta[...] a row in which two gener[...] their jobs.

He is Cavalry General [...] Cardoso (52) currently in [...] of planning a new Port[...] intelligence service. An [...] announcement said he w[...] sworn in to-morrow to [...] General Vasco da Rocha [...] (38), who was dismiss[...] week by President [...] Ramalho Eanes.

One of his first tasks wi[...] appoint a successor to co[...] sial General Vasco L[...] (35), dismissed as Military [...] nor of Lisbon after being [...] by the former chief of [...] indiscipline.

Reuter

Hard line taken on EEC budget

BY OUR OWN CORRESPONDENT BONN, April 3.

WEST GERMANY is taking a tougher line than ever over the growth of the European Community budget — not least because of the prospect of mounting expenditure caused by the EEC's enlargement.

This point emerges from a paper prepared by the Finance Ministry in connection with to-day's joint meeting in Luxembourg of EEC Foreign and Finance Ministers. Besides setting out the German position on the budget, it also criticises the Commission—both directly and by implication.

The paper notes that the EEC budget has grown from 2.2bn. Units of Account in 1971 to more than 12bn. for this year. And it says that in future, budgetary growth will have to be conditioned more than before by the rule that it should simultaneously further political integration. "An over-hasty growth of the budget towards abstract targets, as suggested at present, would not bring the Community forward politically," the Finance Ministry said.

It welcomes a Commission statement that the Community should only be given tasks which it can fulfil better than national states alone. But it suggests the Commission should also practice what it preaches, instead of proposing Community action in spheres where co-ordinated national action would suffice.

Concentration of resources and more selective action will become absolutely essential in coming years because of the huge financial burden involved in EEC enlargement, the paper notes.

According to the Finance Ministry paper, the West German contribution to the 1978 EEC budget will equal more than 5 per cent. of the volume of the W. German federal budget. It also calculates that the W. Germans are by far the largest net-payers into EEC coffers in per capita as well as absolute terms—a calculation challenged elsewhere in the Community.

● **Hilary Barnes writes from Copenhagen** that according to informed sources Prime Minister Anker Joergensen hopes the summit on Friday and Saturday will take the first steps towards a co-ordinated and active policy for combating the international economic crisis.

The Copenhagen meeting, however, will form a preliminary to the next meeting of the EEC Heads of Government in Bremen in July, which will take place shortly before the world economic summit meeting.

Currently instability will be one of the subjects under discussion. But no concrete initiatives for stabilising the currency situation can be expected.

Other topics at the summit will include a report from the Danish leaders on trade negotiations with Japan, the date for direct elections to the European Parliament.

ROMANIA'S ECONOMIC POLICY

Gearing output to demand

BY PAUL LENDVAI IN VIENNA

MR. NICOLAE CEAUSESCU, the Romanian party chief and President, has announced major changes of economic policy and personnel changes involving 26 key officials. In a speech to the central committee of the Romanian Communist Party, he raised grave accusations against some demoted top functionaries. They had for four years blocked measures intended to give enterprises more decision-making power and to replace the system of setting gross output targets, Mr. Ceausescu complained.

According to the President, economic experiments were begun as long ago as 1974 in a number of selected enterprises. The new system, gearing output to demand and offering bonuses to workers in line with the net profit, should have been introduced in 1976 at the beginning of the current five-year plan, he said. However officials in charge of the project had dragged their feet and as late as the end of last year were still reluctant to draw conclusions from the experiment. Mr. Ceausescu did not mention them by name, but it is evident that the three former Deputy Premiers, Mr. Ion Patan, in charge of foreign trade, Mr. Mihai Marinescu, the planning chief, and Mr. Emil Draganescu, the latter's predecessor at the planning committee, are the most prominent scapegoats.

President Ceausescu has almost overnight become a firm advocate of decentralisation, of workers' self-management, and of giving increased powers to enterprises and their management. He went as far as warning the plenary meeting of the central committee that there was a "certain contradiction" between the democratic organisational framework and the overcentralised, rigid, obsolete, and excessively complicated economic mechanism. The new measures, relaxing central control and promising more incentives to workers, will be introduced in the second half of this year. As from 1979 the entire economy should operate on the basis of net output calculations and related measures.

The plenary meeting issued detailed guidelines about profit-sharing, development and social funds in the enterprises. About 3 per cent. of the profit made will be allocated to these funds. That ratio can rise up to 8-14 per cent. if the net profits exceed the planned profit figures, and to as much as 25 per cent. of the additional net earnings if they are achieved by a reduction of material and production costs. Those producing for export are promised bonuses which could amount to 2 per cent. of foreign exchange revenues achieved beyond the planned targets.

The Romanian Parliament has enacted a new law which says that proposals, applications and complaints lodged by citizens must be answered within 20 to 40 days by the local or central authorities. No one may be harassed for making complaints. Local officials and even Cabinet Ministers should set aside one day every week to receive ordinary citizens to deal with their personal problems. Deputy Premiers should do so twice a month.

The measures announced and promised are undoubtedly the result of a long period of deliberation following a potentially explosive labour conflict last summer with some 30,000 striking miners in the Jiu valley. Many organisers of the strike were subjected to reprisals. Some were deported to other areas. But Mr. Ceausescu has evidently realised the ominous implications of the growing resentment against a heavy handed central bureaucracy.

One should not exaggerate the novelty of the much publicised policy change. To start with, all these measures were in principle approved as long ago as the national party conference at the end of 1967. After repeated postponements of the relevant legislation and a shift in favour of all-out quantitative growth, the former Premier, Mr. Ion Gheorghe Maurer, issued a public warning in a speech delivered in June 1972 at a party conference in Cluj, recalling the advice Lenin gave in his last article: "Better less quantity—but better quality." His speech was published in the local press only, and all those who like Mr. Maurer or the former Deputy Premier, Mr. Alexandru Birladeanu, raised their voices against preferring quantity to quality and against channelling over one-third of the gross national product into investment, have had to leave the political stage.

Mr. Ceausescu still insists on the priority of the investments and defends by far the highest investment ratio in eastern Europe as a means towards catching up with the highly developed industrialised West. Yet his latest speeches indirectly seem to confirm nagging doubts about the relevance of some of the statistical victories claimed.

The country was hit on March 4, 1977, by a severe earthquake which cost almost 1,600 lives, destroyed 3,300 flats, seriously damaged hundreds of factories, and caused, according to official figures, damages of at least $2bn. Yet at the end of that year of natural tragedy, the planning report proclaimed that Romania had, if anything, surpassed the original plan and that industry increased its output not by the projected 10.5 per cent. but by no less than 12.5 per cent. While still repeating these figures, Mr. Ceausescu has begun to warn that many factories have been using costly materials only to claim the fulfilment of the gross output targets as well as the bonuses that go with it. All this leads to an illusory increase of production, and the distortion of economic realities, he remarked.

In a political sense, Mr. Ceausescu is faced with the dilemma of how to combine economic efficiency and a modicum of autonomy in enterprises with the continuing dominance of the all-pervading par[...] remains to be seen wheth[...] economic spring-cleaning [...] reform programme will p[...] more tangible dividend[...] long forgotten similar p[...] hailed with equal enth[...] just over ten years ago.

هكذا من الأصل

Israeli cabinet walk-out threat by centre party

BY DAVID LENNON

TEL AVIV, April 3.

THE Democratic Movement for Change, a minority centre party in the ruling coalition, yesterday gave warning that if the peace negotiations with Egypt break down totally it will consider quitting the government. This would further increase the pressure on Mr. Menahem Begin, the Prime Minister, to be more flexible in the Middle East peace talks.

A meeting of the party's central committee last night rejected Mr. Begin's claim that UN Resolution 242 does not call for Israeli withdrawals from the West Bank. The committee also demanded that settlement in the occupied Arab territories be halted while there are negotiations with Egypt.

Many participants called on the party to quit the government now, while others were highly critical of the performance of their representatives in the cabinet.

The party leader, Professor Yigael Yadin, who is Deputy Prime Minister, said that as long as the contacts with Egypt continue, it would be wrong to leave the coalition. But he did promise to return to the committee "within four or five weeks" to ask them to reconsider the membership of the government if it is clear that the peace talks have irretrievably broken down.

Even without the DMC, Mr. Begin would have a narrow majority in the Knesset, but the departure of the centre party would weaken further his claim to represent the broad consensus of Israeli opinion.

● U.S. Ambassador to Israel Samuel Lewis called on Mr. Begin this evening to explore ways of keeping peace talks active. The next probable step in Egyptian-Israeli contacts, Mr. Lewis said, was another trip to Cairo by Defence Minister Ezer Weizman "in the next week or so."

Ihsan Hijazi writes from Beirut: French troops currently forming the backbone of the UN interim force in Lebanon (Unifil) are bringing in heavy weapons to make their role more effective.

Sources close to the troops said the equipment will include armoured personnel carriers and anti-armour rockets. Palestinian sources said the troops, numbering about 800 already have rocket launchers.

According to eyewitnesses, the Israelis are digging in for what appears to be a long stay. Observers said that judging by the new fortifications built since the invasion began two weeks ago, the Israelis do not intend to withdraw in a month or even two.

[In Tel Aviv, however, an Army spokesman said that Israel had begun thinning out its forces in southern Lebanon. The spokesman said that Israeli forces had begun, a week ago, what he called a significant thinning out of troops from the area. He said that the withdrawal timetable was being co-ordinated with the UN forces.]

$A42m. medical fraud in Sydney

BY KENNETH RANDALL

CANBERRA, April 3.

EIGHT DOCTORS and 73 members of the Greek community in Sydney were charged in Sydney Central Court to-day with conspiracy in an alleged fraud over pensions which is believed to have cost the Australian Government $A42m. over the past seven years.

The full extent of the fraud could be much higher as Federal police investigations continued. A police spokesman said to-night that 1,000 people are likely to be charged with involvement in the fraud.

The scheme involves the issue of false medical certificates which were used to obtain sickness benefits and invalid pensions from the Department of Social Security. Police alleged that the fraud had netted recipients, agents and doctors more than $A6m. a year since 1971.

They said that four agents within the Greek community had been receiving $A1,000 each time they introduced a new member to the scheme. Members were then given medical certificates saying they were unfit for work for three months. They used the certificates to claim sickness benefits of about $A100 a week.

According to the police, the certificates were renewed every three months or else after a year the member could pay another $A1,000 for a false medical history which was then used to obtain a permanent invalid pension.

They said that most of the alleged illnesses claimed mental disorder. During the process, the doctors' fees were claimed back against Medibank, the national health insurance scheme. The doctors charged to-day included a clinical psychologist, two consulting psychiatrists and two general practitioners.

Five other GPs were said to be involved. The prosecution said it would be alleged that the doctors charged to-day had received A$1.5m. from the scheme in the past 12 months.

Many of the others charged could not speak English and two interpreters worked full-time in the court as charges were read in Greek and English to batches of ten defendants at a time. All the defendants in to-day's case were granted bail and the cases adjourned until June 12.

Row over aboriginal land

BY OUR OWN CORRESPONDENT

CANBERRA, April 3.

THE Australian Federal Cabinet to-day reaffirmed its intention of introducing emergency legislation to prevent the State Government of Queensland from taking over the administration of two aboriginal reserves in Northern Australia.

The reserves are Aurukun and Mornington Island in the north of Queensland. Aurukun includes extensive bauxite deposits which the Queensland Government has been anxious to develop for some time.

The fierce argument between the Federal and State authorities over control of the reserves in recent weeks has been regarded as an important pointer to future policy on mineral developments within aboriginal reserves and tribal areas.

The extensive uranium discoveries in the Northern Territory would be affected significantly by the outcome.

U.S. warns Pretoria over Namibia

MONROVIA, April 3.

PRESIDENT CARTER, ending his Third World tour to-day, warned South Africa that failure to accept international proposals in Namibia could lead to serious trouble with the United States.

Mr. Carter headed home to Washington from Lagos, Nigeria, with a four-hour visit to Liberia.

The President told reporters on his flight to Monrovia that if the South Africans "reject a reasonable proposal and move unilaterally, it would be a serious indication of their unwillingness to comply" with the views and decisions of the world community.

He said that such action by South Africa was "one thing that could precipitate more serious differences between us and South Africa."

The United States heads the group of five Western powers trying to negotiate an internationally acceptable settlement in Namibia.

The President, in his veiled warning to Prime Minister John Vorster, did not specify what action the U.S. might take.

The United States' rejection of a total economic embargo against South Africa was one of the key differences that developed during the President's talks with the Nigerian leader, Lt.-Gen. Olusegun Obasanjo.

Gen. Obasanjo told Mr. Carter on Sunday evening in an exchange of toasts at a state dinner in Lagos that he was deeply concerned about "foreign collaboration with the South *African regime, particularly in* economic and military matters." Agencies

Quentin Peel adds from Johannesburg: The South African response to the amplified Western proposals for a constitutional settlement in Namibia (South West Africa) is unlikely to be forthcoming until the end of next week, according to sources in Cape Town and Windhoek.

Political observers believe, however, that the amplified Western document is, if anything, further from the South African view than the original Western plan presented in New York in February.

There are no material differences between the Western proposals presented in New York and the amplified plan. Both involve a reduction of South African troops in the territory to 1,500 within 12 weeks of the plan being approved by the UN Security Council.

Men and Matters, Page 16

NEW INDONESIAN CABINET

Shift towards military

BY GUY SACERDOTI IN JAKARTA

THE NEW Indonesian Cabinet, announced by President Suharto last week after his re-election as the country's head of state, further tilts the balance of power within the regime in favour of the military. Although this marks a growing preoccupation with problems of internal security, key economic ministries have been left in the hands of the *mainly* U.S. educated technocrats who will now be responsible for drafting the new five year plan due to begin in April 1979.

Over half of the 24 ministers are new. But President Suharto has skilfully left himself the traditional Javanese role of "dalang" (puppeteer) over his *colleagues in spite of the often* violent protests against his rule since the end of last year.

The new Cabinet reorganises the 17 Government ministries under three new "mega-ministers." General Maraden Panggabean (formerly Minister of Defence) will now run the overseas departments of foreign affairs, justice, information, defence and interior. Prof. Widjojo Nitisastro, continues in charge of economics, controlling finance, mines, trade, agriculture, communications, industry and public works. General Surono Reksodimejo, former assistant Chief of Staff of the armed forces, takes over the ministries of health, education and culture, labour and transmigration, religion, and social affairs.

Gen. Panggabean's new role reaffirms a continued conservative military-dominated policy in most security matters, whether domestic or international. As one of Suharto's closest allies, the general is likely to bolster basic hard-line policies against government critics.

One important shift is the rise of Admiral Sudomo, former Chief of Staff of the all-powerful Command for Security and Restoration of Order ("Kopkamtib"), to assistant Chief of Staff of the armed forces. Besides holding the third highest military position, the Admiral will also be commander of Kopkamtib, a post held since the so-called "Malari" riots in January 1974 by the President himself.

Most domestic security threats, including arrests of dissident students, is handled by Kopkamtib. Taking over from the Admiral as Chief of Staff of Kopkamtib is Lt.-Gen. Daryatmo, formerly chief of the defence department's civilian affairs.

Two other powerful Suharto supporters remain under Gen. Panggabean's control—General Amir Machmud, Minister of the Interior, and General Mohammed Jusuf, Minister of Defence (formerly Minister of Industry). Both of these men were instrumental in paving the way for Suharto's rise to the presidency in 1966, using their influence within separate regional military commands. Their continued appearance in the Cabinet should help to maintain army support.

Another longstanding Suharto advisor, Lt.-Gen. Ali Murtopo, received a Cabinet portfolio for the first time. To observers, the most effective political manipulator in the government, General Murtopo's role as Information Minister is in part viewed as a means of keeping a politically dangerous man in check. Bargaining for the more influential foreign affairs or interior ministries, the information position relieves political elements worried at the possibility of a resurgence of the general's past influence.

General Panggaben's new role reaffirms a continued conservative, military-dominated policy in most secruity matters, whether domestic or international. As one of President Suharto's closest allies, the general is likely to bolster basic hard-line policies against *Government* critics.

Though Murtopo's new role is somewhat less powerful than expected, another man closely associated with General Murtopo's think tank, "the Centre for Strategic International Studies," Mr. Daud Joesoef, has become Minister for Education and Culture.

Military men more critical of the Suharto regime also found posts in the new Cabinet. General Surono Reksodimejo, one of the mega-ministers, has support among various army groupings. For the past year or so, he has been considered a strong candidate to replace Suharto should he retire before his new five-year term is completed.

Lt.-Gen. Alamsyah, formerly vice chairman of the President's advisory council, will take on the Ministry of Religion. As one of the more outspoken military critics of the President's development policy and well-respected by student dissenters, General Alamsyah takes over the department where co-ordination with the opposition Muslim Party is crucial.

On the economic front, the technocrats appear to have lost some ground, to men with a practical outlook. The *Government's transmigration scheme* (designed to relieve population on overcrowded Java) has been receiving increased budgetary support. The former West Sumatran Governor Harun Zain takes over the Labour and Transmigration Ministry. And to heighten domestic industrial development and co-ordination between industry and investment, Mr. A. R. Suhud, former vice-chairman of the Investment Co-ordinating Board, has been named Minister of Industry.

Dr. Sudarsono Hadisaputro has the agricultural portfolio, one of the most important economic positions given Indonesia's uneven crop performance since 1974. Last year, Indonesia bought one-third of the world's total rise crop, and increased production will be Sudarsono's top priority.

As former head of a highly successful agricultural intensification scheme, he should prove extremely capable.

Indonesia's finance team and economic planning board remain intact, accenting Suharto's satisfaction with their performance during the oil conglomerate, Pertamina, financial bail-out in 1975-76. Dr. Ali Wardhana remains Finance Minister with Mr. Rachmat Saleh as head of the Bank of Indonesia.

Other new Cabinet choices are: Social Affairs—Major-Gen. Sapardjo (former Secretary-General of the government Golkar Party); Suwarjono Sur*yamingrat—Health; Dr. Subroto* (former Labour Minister)—Mines; Purnomosidi Hajisasono—Public Works; Dr. Mochtar Kusumaatmodju — Foreign Affairs; Major-Gen. Mujono—Justice.

Bangladesh announces $2.5bn. plan

The Bangladesh Planning Commission has announced a Taka38.6bn. ($US2.5bn.) draft two-year plan for 1978-80, Our Dacca Correspondent writes.

Of the total outlay, US$2.1bn. has been allocated to the public sector and the remaining US$400m. to the private sector. According to the draft plan $870m. will be spent from domestic resources and approximately US$1.7bn. will be mobilised through foreign aid.

The plan envisages a real growth of 5.6 per cent. in gross domestic product and 2.8 per cent. in per capita income, which will rise from $US47 to $US50.2. The allocation to the public sector is 47 per cent. higher in the two-year plan than development expenditure for the earlier two years.

The plan has been prepared, according to the commission, with objectives of raising per capita real income, developing rural economy, greater self-reliance for financing development programmes, increasing food production, and reducing the rate of population growth.

Highest priority has been attached to agriculture and rural development, which have considerable growth potential in terms of high employment-investment but low capital-output ratios. The *main emphasis on rural development* has been in the direction of increasing agricultural productivity, *particularly* in the food grains.

Eritrean attacks

Guerillas fighting for the independence of Eritrea, Ethiopia's Red Sea province, have launched two attacks on Ethiopian garrisons *there*, according to reports reaching Khartoum, writes Alan Darby. The Eritrean Liberation Front has been fighting at Barentu, the sole town in the Eritrean lowlands still held by Ethiopia. The second action began last Friday when the Eritrean People's *Liberation* Front attacked the highland garrison at Adi Caieh, south of Asmara.

Tokyo airport date

The Japanese Government has set May 21 as the day when aircraft will begin operating at Tokyo's battle-scarred new international airport, Reuter reports.

Mortgages for blacks

Urban blacks in South Africa are to be granted "permanent occupation rights" to enable them to raise mortgages from building societies, according to legislation being prepared for Parliament, it was said in Johannesburg yesterday, whites Quentin Peel, But the rights will fall short of freehold rights.

A period of stress and strain forecast for world trade

BY CHARLES SMITH, FAR EAST EDITOR, IN HONG KONG

FINANCIAL TIMES

Asian Business Briefing

CONFERENCE

"A PERIOD of great stress and strain in world trade" arising mainly out of tension between developing Asian industrial countries and Western developed economies was forecast by Dr. Garret FitzGerald, former Irish Foreign Minister, to the Financial Times "Asian Business Briefing" which opened in Hong Kong to-day.

Dr. FitzGerald suggested the way to deal with the crisis was for developed countries to give a mandate to "relevant international organisations" to draw up an integrated master plan for the economic recovery of the Western world.

He also called for much more "intra-trade" between the developing countries themselves.

These recommendations were made against a background of critical comment in which Dr. FitzGerald accused GATT, for example, of totally ignoring the proliferation of "voluntary restraints" on exports from developing countries to the West, even though such restraint agreements ran directly counter to GATT rules.

Dr. FitzGerald cited estimates that developed countries stand to lose 5m. jobs up to 1985 as a result of increased imports from developing countries (*although up to 2.5m.* jobs could be created by increasing opportunities for exports to developing countries).

He also stressed the fact that Asia was the focus of the new exporting strength of the developing world.

Leaving aside the special case of Japan—a developed country which Dr. FitzGerald said had the power to "take on and destroy" any European industry—four small Asian countries, Korea, Taiwan, Hong Kong and Singapore, were, remarkably, providing the main thrust of exports from developing countries.

Dr. FitzGerald's sombre picture of a looming world trade crisis provided a contrast to the opening address by Sir Denys Roberts, Chief Secretary of Hong Kong, who listed reasons why Hong Kong had emerged as a top exporter. Sir Denys said Hong Kong was forced to export or face economic collapse after a UN ban on trade with China deprived it of its traditional entrepot trade in 1950. Its success could be measured by its position to-day as the world's 16th largest exporter (excluding oil producers) and by the fact that its industrial workforce had risen from 60,000 in 1947 to 800,000.

Sir Denys listed ten reasons for Hong Kong's achievement including:

The conviction that "no one owes us a living" a predictable Government, superb communications and a stable society lacking "party political conflict."

He ended with a warning that protectionism could threaten some of Hong Kong's achievements.

Turning aside from the protectionist theme an American banker, Mr. Edward Harshfield, vice-president of Citibank, dwelt on the opportunities for economic co-operation between developed countries and cen*trally-planned (that is,* communist) economies in Asia.

Mr. Harshfield, who was one of the first U.S. bankers to visit Hanoi after the Vietnam war, said that Vietnam was working towards a sizeable reduction in its trade deficit during 1978 but advocated a more flexible approach by Hanoi towards the attraction of foreign investment. North Korea's payments situation was also showing modest signs of improvement, thanks to a decline in imports.

Western and Asian businessmen should begin to think about the prospects for collaboration in Mongolia's mineral development projects.

Three speakers from the ASEAN group of countries, Tun Tan Siew Sin former Finance Minister of Malaysia, Dr. Lim Chong Ew, Chief Minister of Penang, and Mr. David Sy Cip of the Philippines Rizal Commercial Banking Corporation, told the Briefing about ASEAN investment opportunities with the emphasis on the scope for regional projects. Mr. Sy Cip described the philosophy behind ASEAN's package projects in which two or more member countries of the association agree on a complementary industrialisation programme with tariff preferences attached. He urged foreign investors to involve themselves in such projects, but also stressed the need for investors, where possible, to provide tied or captive markets for their products outside ASEAN.

Dr. Garrett FitzGerald

Political commentaries on the Asian theme and on the involvement of external powers were offered by Mr. Anthony Lawrence, the BBC's former Far East Correspondent, and Mr. Harvey Stockwin, a freelance commentator on Asian affairs. Mr. Lawrence posed questions about China's newly-announced "Four Modernisations" programme, asking whether it could be achieved without "something of the spirit of Mao at his most charismatic and reckless," but also warning about the unpredictable consequences of failure.

Mr. Lawrence said the programme although stressing industry, could not succeed without a big increase in farm production coming on top of China's already remarkable progress in this field. He also wondered whether efforts to acquire *modern weapons might* not seriously distort the rest of China's development programme.

He viewed Japan-U.S. relations as being not just at a balance but seriously lopsided following the emergence of Japan's huge payments surplus with the U.S.

Patriotism, said Mr. Lawrence was the strongest quality of the Chinese people, but nowadays it was being tempered by an "extraordinary amount of caution."

Mr. Stockwin discussing the U.S. role in Asia, said there had been plenty of uncertainties about U.S. attitudes when President Carter came to power and they had not been much diminished by the Administration's subsequent action. Mr. Stockwin singled out for explicit criticsm, President Carter's decision to withdraw troops from Korea but went on to suggest that recent U.S. action (including a costly military exercise in the region) seemed to be pointing in the opposition direction from withdrawal.

The Briefing was chaired at its opening session by the joint managing director of the Financial Times, Mr. Justin Dukes, who emphasised the "agility" of Asia in reacting to economic opportunities as a key to the region's success.

Agility, however, could not produce results without good information, Mr. Dukes said, and the role of the Financial Times was to provide this.

That was why the paper was currently embarking on a plan to step up its circulation in the region substantially.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription $200.00 (air freight) $360.00 (air mail) per annum. Second class postage paid at New York, N.Y.

AMERICAN NEWS

U.S. Steel to modify price rise after Carter pressure

BY JOHN WYLES

NEW YORK, April 3.

THE CARTER Administration's efforts to curb price increases in the steel industry were rewarded this morning by an announcement from the U.S. Steel Corporation that the company would be modifying its controversial $10.50 a ton price rise announced last week.

U.S. Steel's original proposal was sharply criticised by the Administration because of its possibly inflationary impact. President Carter, during his visit to Brazil, called the proposal "excessive," saying that it was much larger than the corporation needed to recoup the costs of the recent miners' wage settlement.

As soon as U.S. Steel, the industry leader, announced its new prices, the Government's Council on Wage and Price Stability brought as much persuasion as possible to bear on other producers to moderate their price rises. As a result, Bethlehem Steel, the industry's number two, and National Steel, the number three, both announced average price rises of $5.50 a ton.

With other smaller producers following suit, U.S. Steel might obviously have had difficulty holding its new prices, and in a one-sentence announcement this morning the company said that its "recent price increase would be modified to be competitive in the market in a product by product basis."

Wheeling Pittsburgh Steel, ninth largest in the industry, who had followed U.S. Steel's lead in going for $10.50 a ton, also made a similar announcement.

The Council on Wage and Price Stability said it was "very happy" about the decision on prices. A spokesman said Mr. Barry Bosworth, the council's director, had contacted several steel companies last week "to explain the council's position." U.S. Steel had not been on this list of companies, but the council claimed last week that a $4 a ton increase would be sufficient to cover the increased costs of the miners' pay deal, although analysts have put the necessary rise at nearer $5, because railway freight charges have also recently risen.

Although the administration appears to have won this particular clash, most observers believe that the real trial of strength will come later in the year when the steel industry will seek price increases to cover a range of increased costs, including pay rises due to steelworkers.

Many analysts believe that the steel companies will be in a strong position to impose substantial price rises later in the year.

The harsh winter coupled with the losses due to the coal strike means that most steel companies are expected to return a first quarter loss. But this new firmness in prices, which is being greatly helped by the steady fall of the dollar against the yen and the West German mark, should be reflected in the figures for the second and third quarters.

Tongsun Park's testimony televised

By Our Own Correspondent

WASHINGTON, April 3.

MR. TONGSUN PARK, the South Korean entrepreneur and rice dealer, to-day spoke publicly about payments, totalling about $1m. he had made over the years to more than 30 U.S. Congressmen.

His televised testimony to the House Ethics Committee, which began this morning, follows several private sessions with the Committee and officials from the Justice Department. Mr. Park has been granted immunity from prosecution in return for his co-operation.

There were few surprises in Mr. Park's initial public appearance, in which he was cross-examined by Mr. Leon Jaworski, counsel to the Ethics Committee and former Watergate special prosecutor.

One former Congressman, Richard T. Hanna, a Democrat from California, has already pleaded guilty to charges of accepting improper payments from Mr. Park. Last week another, former Congressman Otto Passman, of Louisiana, was indicted by a federal grand jury on similar charges.

Mr. Park said to-day that he had given between $367,000 and $407,000 to Mr. Passman and $262,000 to Mr. Hanna.

But the prevailing impression around Washington is that the Korean influence buying scandal may tourn out to be shallower than had first been thought. Mr. Jaworski himself has said that he thinks no more than half a dozen past and present Congressmen may have violated ethical rules.

The pattern revealed by the list that Mr. Park and Mr. Jaworski painstakingly went through this morning was of a series of relatively small—generally $500—payments to a considerable number of representatives, most of them in election years. Many of these Congressmen have pointed out that they reported such contributions in their campaign documents.

Mr. Park stated that he did not give any money to Mr. "Tip" O'Neill, the Speaker of the House, although he agreed that he had helped to organise and contributed to two parties for Mr. O'Neill in 1973 and 1974.

Among others who Mr. Park said had accepted either cash or cheques for more than $500 were Congressman John Brademas, the Indiana Democrat, ex-school mate of Mr. Park and currently a House Whip, former Congressman and now Louisiana Governor Edwin Edwards, Congressman William Minshall, who channelled money to President Nixon's 1972 re-election campaign, and several others: but it appeared that each instance had been previously disclosed.

Mr. Park made a brief opening statement, denying that he had acted improperly but simultaneously apologising for "certain things that I did," and arguing that he had been motivated by the best interests of the U.S. and South Korea.

Warning of high cost of N-power from fusion

By David Fishlock, Science Editor

NUCLEAR POWER stations using the thermonuclear fusion —H-bomb—process could cost several times as much to construct as the nuclear fission reactors of to-day, according to a study by a U.S. nuclear engineering company.

The study concludes that any future application of nuclear fusion will be faced with two serious engineering limitations—the very high cost of the plant, and the deleterious effects of intense radiation on one of the most critical components, namely the reactor pressure vessel.

The study is based on the Tokamak type of fusion reactor, the type to be explored experimentally with the Joint European Torus (JET) project now being mounted by 11 European nations.

Mr. W. E. Parkins, director of research and technology at Atomics International in California writing in the current issue of Science, estimates that, on the basis of present knowledge of the engineering problems of nuclear fusion, fusion reactors could cost six times as much to build as coal-fired plants, and more than four times as much as light-water reactors.

Mr. Parkins gives a construction cost of $4,450 per kW for fusion reactors, compared with $780 per kW for coal-fired plant, $975 per kW for the light water reactor, and $1,820 for the fast-breeder reactor.

One estimate puts the weight of steel alone required by a 1,500 MW fusion reactor (about 50,000 tonnes) as costing more than the total cost of any present-day power station of the same output.

The second big problem will be the itegrity of a reactor vessel subjected to intense neutron bombardment, yet which must continue to perform to high standards of vacuum tightness, at high temperatures, and under repeated cycles of mechanical and thermal stress.

Congressmen move on rise in social security taxes

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, April 3.

DEMOCRATIC members of the House of Representatives have scheduled a meeting for Wednesday to discuss whether or not to back a partial roll-back of the recent social security tax increases.

Congress reconvened to-day after the Easter recess, and the suspicion is that Congressional misgivings about the increase which took effect in January will have been reinforced by complaining constituents.

Mr. "Tip" O'Neill, the Speaker of the House, has already warned the administration that it should come up with a proposal on social security since, he said, Congress was bound to act. Two attempts to get such a roll-back through the House Ways and Means Committee have been only narrowly defeated, a number of legislative variations have already been advanced, and it seems only a matter of time before either the Congress (highly sensitive in a mid-term election year) or the administration takes the plunge.

So far, the administration has publicly resisted rolling back the social security taxes, largely because it would have great impact on the $24.5bn. tax cut and taxation reform Bill unveiled in January. But the inflationary implications of the higher levies are concerning the administration and some shift in policy may be in the offing.

The administration can properly claim that the present fuss over social security is indisputably the fault of the Congress. President Carter's original proposals of last year to restore the financial strength of the social security health and retirement trust funds contained a novel provision which would have allowed the Government to dip into general revenues to shore up the funds.

But Congress, apparently motivated to preserve the sactity of the trust funds, would have none of this and opted instead for a stiff increase in payroll taxes. Mr. Carter, bowing to what seemed then to be irresistible political forces, accepted the Congressional version. The irony is that, of the proposals now being advanced on Capitol Hill, more than one recommends a use of general revenues similar to that proposed by the administration.

Panama referendum hint

BY OUR OWN CORRESPONDENT

MEXICO CITY, April 3.

AS DEBATE resumes in the U.S. Senate on the new Panama Canal treaties, Gen. Omar Torrijos, the Panamanian leader, has raised the possibility of a new referendum to consider amendments to the treaties passed by the Senate.

There has been considerable anger in Panama about an amendment to the first of the two treaties (the one already passed by the Senate) concerning the continued neutrality of the Canal.

This amendment claimed the right of the U.S. to intervene in defence of the Canal and has been interpreted here as meaning a right to intervene in Panamanian internal affairs, and not only against an external aggressor.

The Senate vote on the second treaty, providing for the handover to the Canal to Panama by 2000, is expected on or before April 26.

The Panamanian Government has not so far voiced criticisms of the amendment, but opposition groups, such as the Independent Lawyers' Movement, have not been so restrained.

Gen. Torrijos said at the weekend: "The Government will do nothing until they send us back the treaties which we sent them. Then we will see what was approved by the people, and what the Senate has done. Our answer will be given after a great national consensus."

This was taken as a hint of a new referendum. In the first one, last October, Gen. Torrijos won approval for the treaties by a two to one majority.

Ford damages cut by $122m.

SANTA ANA, April 3.

AN AWARD of $128.5m. in damages against Ford Motor Company has been reduced to $6.6m. by a California Superior Court judge in the case of a Pinto car which crashed and caught fire in 1972, killing one person and burning another.

Judge Leonard Goldstein accepted Ford arguments that the $125m. punitive damages included in the jury award on February 6 did not bear a reasonable relationship to compensatory damages.

The plaintiff, Mr. Richard Grimshaw (18), who suffered severe burns in the crash, can accept the ruling of reduced damages or seek a new trial for a higher punitive award.

Reuter

SDR valuation

The International Monetary Fund, announcing the new valuation method for its special drawing rights (SDRs), said yesterday that the weight of the British pound, the Canadian dollar and the Italian lira in the 16-currency basket will be reduced, AP-DJ reports from Washington. The "weight" of the U.S. dollar in the currency basket will remain at 33 per cent. of the total.

Uruguay inquiry

Two delegates from the American Bar Association have arrived in Montevideo and yesterday began five days of interviews with senior Uruguayan Government officials and lawyers on the subject of human rights, by visiting Sr. Alejandro Rovira, the Foreign Minister, and President Aparicio Mendez, Robert Lindley writes from Buenos Aires.

Weapons objection

The U.S. Defence Department is worried about a possible shortage of material for nuclear weapons, and has objected to a proposed international ban on production of such material, government sources said yesterday, Reuter reports from Washington. They said that Mr. Harold Brown, the Defence Secretary, in a letter to President Carter last Friday, objected to a State Department proposal to put forward such a ban at a UN special session on disarmament next month.

U.S. COMPANY NEWS

Kennecott joins battle with Curtiss; Goodyear predicts downturn: GAF sale to German concern—Page 32.

CARICOM AND LOME II

Determined to keep the aid

BY DAVID RENWICK IN PORT OF SPAIN

MEMBERS OF THE Caribbean Community and Common Market (CARICOM) are making a determined stand on the terms of any new Lome Convention. Negotiations with the EEC get under way for a renewal of the Convention in July and CARICOM members want to ensure that, at worst, aid in real terms does not fall below the present level.

The 12-territory CARICOM group, especially those suffering from severe economic problems, like Jamaica and Guyana, is particularly concerned that the EEC's participation in the newly formed World Bank's Caribbean Group for Co-operation in Economic Development may end up reducing thet amount of aid provided to the area under Lome 2.

The smaller CARICOM members: St. Lucia, St. Vincent, Dominica, Antigua and St. Kitts-Nevis, are probably more worried than most because, as non-independent entities, they fall under Part IV of the Treaty of Rome and will have no voice in the discussions which will determine the revised Lomé Convention.

Their share of aid is arrived at after what are called "internal deliberations" among three EEC countries which still have a connection with territories overseas: Britain, France and the Netherlands.

After the first Lomé Convention was signed in February 1975, the CARICOM Part IV states expressed keen disappointment with the amount of aid later earmarked for them and communicated this unhappiness to Brussels by a resolution that spoke of "unacceptable terms" and called for "substantially more equitable allocations of aid."

The matter appears to have been settled subsequently to the satisfaction of both parties. But this earlier scare over the amount of EEC assistance has only made CARICOM members more watchful.

Certainly, the independent regional states which take part in the Lomé negotiations; Trinidad and Tobago, Jamaica, Guyana, Barbados and Grenada, and the others who also depend on EEC largesse, will be struggling to ensure that the present absolute level of aid is raised in such a manner as to retain its purchasing power.

Under Lomé 1, the 12 CARICOM states were entitled to some 97.4m. EEC units of account (u/a), roughly US$119m., covering the four years to March 31, 1980. This money is channelled through the European Development Fund and is exclusive of any loans, soft or otherwise, made by the other EEC assistance institution, the European Investment Bank.

About 32m. u/a of the total has been set aside for regional expenditure that is supposed to benefit CARICOM territories as a whole. Both the EEC and the area's independent states agreed that a significant portion of the package should be disbursed in this manner, since there is general acceptance that regionalism is a valuable concept which should be promoted and strengthened.

The fact is that regional co-operation has recently taken something of a knock and CARICOM does not even boast a secretary-general who could take the initiative and ensure that the aid available is properly applied. That explains why as much as one-third of this allocation may not be spent by 1980.

Projects for which the regional portion of aid had been considered included the Caribbean Food programme, which is meant to create an agricultural sector providing more of CARICOM's own needs and reducing the US$400m. a year regional food import bill. The West Indies Shipping Corporation (WISCO), which serves all the territories in the group and is attempting to expand its smaller container fleet was also considered as was the University of the West Indies (UWI), which badly needs money for expansion and technical help.

However, finance appropriated to individual CARICOM countries will almost certainly be used as quickly as possible, given the budgetary problems that each of them, with the notable exception of Trinidad and Tobago, has been facing for the last three years.

Jamaica has received the largest allocation (20m. u/a) as the most populous member (20m. people) and because of its urgent need for funds.

This money is being applied to the building of 220 micro-dams on the Cuban model to alleviate the island's serious water problems and to rehabilitate 2,000 acres of the second most important export crop, bananas.

Guyana is receiving 14m. u/a for a fishing port complex, for supporting the establishment of small- and medium-sized industrial plants and for training Guyanese in technical fields such as engineering and architecture.

Trinidad and Tobago has been given 10m. u/a principally for the county of St. Patrick in the south west of the island for such projects as the irrigation of 15,000 acres of new farmland, the replanting of teak and pine forests and the construction of facilities for inshore fishing.

The 3.5m. u/a assigned to Barbados will be spent on a new integrated community health centre in the north of the island, on promoting tourism and trade in Europe and contributing to a scholarship programme in agriculture, economics and other skills.

Most of the EEC fundng is made available as grant or at 1 per cent. interest over 40 years. This even applies to Trinidad and Tobago, which could afford commercial rates.

Indeed, because it is relatively well off, Trinidad and Tobago is the only CARICOM State to have attracted the attention of the European Invesment Bank, which has just made a loan of 5m. u/a for loans to local manufacturing enterprises.

WORLD TRADE NEWS

Japan ready to buy more from Europe, study says

BY LORNE BARLING

JAPAN IS likely to accept far greater penetration of its domestic market by European companies in an effort to maintain free trade with Europe, according to an independent report on the difficulties created by the current imbalance.

It also suggests that a systematic study mechanism should be established, taking the form of joint European-Japanese research groups, with active participation from industry on both sides.

"The time is now right for such efforts since Japanese business circles are declaring themselves in favour of increased participation in their market by foreign products," the report by the Batelle-Geneva Research Centre said.

The study was commissioned by a group of leading Japanese academics, the Top 70 Study Group, and claims that much of the mutual criticism over trade arises from a deep-rooted failure of communication.

If no action was taken soon to improve this problem, a protectionist attitude might set the tone for future relations. Better communications at both political and industrial levels were urgently required, it suggested.

An important point made in the study is that European companies and governments have misjudged the export opportunities in Japan, leading to neglect of the market over a long period.

As far as the motor industry is concerned it is claimed that in the short run it may not be enough merely to try to increase European car sales in Japan. In addition there should be more inter-industry co-operation on technical and commercial matters and even direct investment.

It is also argued that the European industry should strengthen its competitive position rather than seek a protectionist solution to the sisue of Japanese penetration of European markets.

● Mr. Alan Williams, Minister of State for Industry, said in Tokyo yesterday that Japan had done little to invest in factories in other industrial countries or to increase imports.

In view of the country's industrial success, it should give more attention to foreign investment and consolidate its trading position by moving from direct exports to local manufacture.

Saudi joint ventures

BY DOUGLAS RAMSEY

TOKYO, April 3.

JAPAN AND SAUDI Arabia held ministerial talks in Tokyo to-day and agreed in principle to push forward on three big joint projects in Saudi Arabia.

Sheikh Hishma Nazer, the Saudi Minister for Planning, met Foreign Minister Sunao Sonoda and the Minister for International Trade and Industry, Mr. Toshio Komoto.

Japan's exports to Saudi Arabia in 1977 were $2.3bn. (up 12 per cent. in yen terms on 1976) and its imports were $8.5bn.

Saudi Arabia is keen for progress on the $1.5bn. to $2bn. petrochemical complex to be undertaken jointly between Japanese companies and the Saudi Government.

The highlight of Sheikh Nazer's talks, however, was reserved for a much smaller $15m. project, proposed by MITI, for a joint venture desalination plant using expertise from MITI's Agency for Industrial Science and Technology.

● Krupp Atlas-Maschinenbau of Bremen has been awarded a DM25m. contract by Saline Water Conversion in Jeddah for two seawater desalination plants each with a daily output of 250,000 litres of drinking water to be set up on the Red Sea island of Farasan.

EEC signs trade pact with China

By David Buchan

BRUSSELS, April 3.

A FIVE-YEAR framework agreement to improve trade between the European Community and China was signed to-day in Brussels. Negotiated in February, it is the EEC's first trade agreement with a state trading country (except Yugoslavia) and was hailed as important by both sides.

For the Chinese, the unnamed spectre at the signing was the Soviet Union. The Chinese Foreign Trade Minister, Mr. Li Chiang, underlined Peking's support for Western Europe "in its union for strength and in its struggle against hegemony," the traditional Chinese reference to the Russians.

But EEC External Affairs Commissioner Herr Wilhelm Haferkamp, while welcoming Chinese support for European integration, emphasised that today's non-preferential trade accord "is directed against no one."

Danish Foreign Minister Mr. K. B. Andersen, president of the EEC Council of Ministers, said the agreement would help to develop "the considerable trade possibilities as yet unexploited" between the EEC and China.

The EEC will give Chinese goods most favoured national tariff treatment, with China getting the benefit of any EEC tariff concessions in the GATT negotiations, although Peking is not a member of GATT.

In return, China is to increase imports of EEC goods.

More markets in India opened to foreign goods

BY CHRIS SHERWELL

NEW DELHI, April 3.

GREATER ACCESS to the Indian market for foreign-produced goods is foreshadowed by long-awaited measures on imports and exports announced here to-day. They offer opportunities in specific fields to manufacturers in industrialised countries, particularly Britain.

The measures, announced by Mr. Mohan Dharia, the Commerce Minister, simplify the controls that have characterised past imports policy and aim to harness them to the requirements of the ambitious five-year plan that took effect at the week-end.

Straight competition between foreign and Indian interests will be allowed, irrespective of whether goods concerned can be manufactured locally.

The specified fields include fertilisers, newsprint and paper, basic drugs, power generation, transmission and distribution, mineral and petroleum exploration, cement and cement products, electronic components, petrochemicals up to the polymer stage, and waste disposal and effluent treatment.

On imports generally under the simplified system now being introduced items not specifically restricted, banned or "canalised" (reserved for state operations) will be permitted into the country. Previously, if they were not listed they were presumed banned.

Zambia backs industry

BY MICHAEL HOLMAN

LUSAKA, April 2.

PRESIDENT Kenneth Kaunda of Zambia has reassured private enterprise companies that Government "is doing, and will continue to do, everything in its power to encourage them to stay and help us build Zambia."

State House officials described the speech, made at last Friday's opening of the Zambia Federation of Employers, as an attempt to end uncertainty both in Zambia and abroad over the role of the private sector in the country's Socialist economy.

It also seems linked to the recent International Monetary Fund credit of $390m.

The main areas in which Government and private enterprise can co-operate, said Dr. Kaunda, were mining, textiles, building materials, cement works and international hotels.

● Zambia's Minister of Power, Transport and Communications, Mr. Paul Lusaka, flew to Dar es Salaam to-day to an urgent meeting of the Tanzania-Zambia Railway Authority (Tazara) to discuss the critical accumulation of Zambian goods, including copper, at the port, John Worrall reports from Nairobi. An estimated 90,000 tons of Zambian goods are piled up at Dar es Salaam and the turnround time for ships is nearly three weeks.

Some goods for Nigeria to be inspected

BY JAMES BUXTON

NIGERIA IS to have shipments of certain categories of goods inspected before they leave the country of manufacture. The move is one of a package of budget measures which involve the immediate banning of the imports of 14 major categories of goods.

The Government says that the aim of the inspection procedure, to be carried out by "competent" and "reputable" companies and international organisations on behalf of the Nigerian Government, is to ensure that goods conform to manufacturers' specifications.

Applications to the Nigerian Central Bank for foreign exchange will have to be accompanied by certificates.

The 14 categories of goods whose import is to be banned immediately are: beer, stout and malt extract drinks; fresh milk; flavoured and coloured beet sugar; macaroni and spaghetti; footwear; carpets; furniture; frozen meat including poultry; matches and candles; eggs; ready-made garments; and jewellery.

The Department of Trade said British manufacturers of clothing, footwear and jewellery would be worst affected. Last year Britain sold Nigeria £24m. worth of clothing and £8m. worth of footwear.

The ban is accompanied by a variety of increases in duty on other goods, some already only imported under licence, such as beer. The Government has assisted local breweries by ending price control on Nigerian beer. It has also ended price control on Nigerian-produced cigarettes.

To encourage local investment the Government has raised the maximum net return on dividends from 16.5 to 20 per cent.

The Nigerian budget entails a 10 per cent. cut in Federal Government recurrent expenditure and is aimed at slowing Nigeria's high rate of inflation and arresting its worsening balance of payments deficit, caused in part by lower sales of its main export, oil.

Although Lieutenant-General Olusegun Obasanjo, the Head of State, did not reveal the anticipated revenue figure for the new fiscal year he said that the Government would have to borrow up to N4.3bn.

Egypt gets credit in novel plan

A £2m. LINE of credit [...] yesterday between Morgan [...] fell and the Bank of Alex[...] in Cairo is the first of its [...] to be entered into under [...] scheme and the only one [...] ing between a United Ki[...] and an Egyptian bank.

The new fixed rate s[...] refinance and interest eq[...] tion scheme came into ope[...] on April 1. The £2m. loan [...] ment is guaranteed by the [...] Credits Guarantee Departm[...]

Morgan Grenfell will p[...] funds and manage the [...] Under the new scheme f[...] first time banks other th[...] London and Scottish cl[...] banks are eligible to parti[...]

The loan is a general p[...] line of credit to finance [...] exports of capital good[...] services. It will finance [...] cent. of contracts over £[...] between U.K. suppliers [...] Egyptian public-sector buy[...] to December 31, 1978.

Austria wins $900m. deals

By Paul Lendvai

VIENNA, Ap[...]

CONTRACTS AND agre[...] involving more than Sc[...] (some $900m.) were co[...] between Austrian and [...] German companies durin[...] visit by Dr. Bruno Kreis[...] Austrian Chancellor, to [...] Berlin from Thursday to [...] day.

The most important [...] ment, worth Sch.8bn. ([...] was a 10-year deal [...] Voest-Alpine, the A[...] nationalised steel concer[...] the East German state, [...] several complete plants [...] Germany. Work on thr[...] projects, including a ste[...] mill and a fertiliser p[...] beginning this year.

In all, the Austrian si[...] submitted 55 projects. T[...] Germans have taken into [...] the importance of medi[...] small-sized enterprises [...] Austrian economy. [...] deliveries of consumer [...] such as footwear and [...] should reach about Sc[...] ($17m.).

Canada sells less to USSR

By David Satter

MOSCOW, A[...]

THE SOVIET UNION'S [...] with Canada fell by 30 p[...] in 1977 compared with [...] vious year, a result of th[...] decline in Soviet imp[...] Canadian grain.

Figures released [...] Canadian Embassy sho[...] trade turnover decline[...] $C589.8m. in 1976 to $C41[...] 1977.

The value of Canadian [...] in 1977 was $C55.4m., [...] the same as in 1976, [...] decline in exports redu[...] Canadian trade surplu[...] $C479.4m. in 1977 to $C30[...] 1976.

The decline in trade [...] like the corresponding de[...] U.S.-Soviet trade, [...] diminished Soviet dem[...] agricultural products af[...] 1976 record Soviet grain [...]

Algerian gas contract

By Robert Gibbens

MONTREAL, A[...]

THE CANADIAN subsid[...] the United States Becht[...] poration is understood [...] about to sign a $C550m. [...] with Algeria to develop [...] gas field.

Bechtel says Algeri[...] already "verbally award[...] contract to Bechtel Can[...] the company is start[...] organise procuremen[...] resources and equipment [...]

The gas processing plan[...] be at Rhourde Nouss, nea[...] miles SE of Algiers. [...] Rhourde Nouss gas field [...] third largest in Algeria. [...] will be processed and p[...] the new liquefied natu[...] (LNG) terminals on the [...] ranean coast for liquefi[...]

Canada's federal [...] Development Corporatio[...] lend or provide guarant[...] $C350m. for the project.

EUROPEAN VAN MARKET

Fiat offers new challenge

BY STUART ALEXANDER

TWO VANS with the unlikely names of the Fiat Daily and the OM Grinta are launched this week in a move which could mark a renewed battle for the European market in medium vans and light trucks.

It also tests again the viability of the growing Iveco organisation as the vehicles will also be marketed under the Magirus Deutz label in Germany and Unic in France, though all will be built at three Fiat plants in Northern Italy—those of OM at Brescia and Suzzara and Alfa Romeo at Pomigliano.

The engines are made at the Foggia factory at Sofim, the company jointly set up by Fiat and Alfa Romeo of Italy and Saviem of France to produce small, fast-revving diesels.

The small trucks, panel vans and minibuses range from three to four tonnes, straddling the all-important barrier of 3.5 tonnes over which an operator licence is needed.

They replace models which were becoming outdated and, as is one of the current fashions, they concentrate on improving conditions for the driver as well as updating the body style and introducing the new engine.

Fiat, however, is not alone in turning its attentions to this end of the market though its approach has meant that it is challenging the top end of some competitor ranges and the bottom end of others.

Ford recently revamped the Transit range after 12 years of steady sales, but the new Fiat vehicles only compete with the heaviest of the Transits. However, the Transit has been improving its share of the Italian market, partly because Fiat could not offer a diesel competitor at a time when diesel fuel was about 66 per cent. cheaper than petrol.

Another quirk of the Italian market is that there is a hefty and non-recoverable 35 per cent. VAT on diesel engine vehicles over 2.5 litres, whereas it is 8 per cent. and recoverable under 2 litres.

Although the new S range from Fiat tackles only one of these problems it is expected that the diesel option will be extended downwards in the future.

In the meantime Ford, Bedford and even Leyland have been making hay with small diesel engine commercials, although overall Fiat takes 89 per cent. of the total Italian commercial vehicle market.

Conditions in Germany, however, are more difficult with both Volkswagen and Daimler-Benz ensuring that the market is well and truly carved up by the home producers. Recently Volkswagen has updated its medium van range—the new Fiats are not dissimilar—and Daimler-Benz has recently announced new light vans and trucks from Bremen and medium vehicles from Dusseldorf.

Last week it introduced a 3.5 tonne version of the Dusseldorfer in the U.K. in order to capture more of the market that was looking for volume rather than weight capacity and it has now plugged all the gaps from 1.5 tonnes to 6.5 tonnes.

In the U.K., Mercedes claims to have outsold Fiat in the light van sector by four to one and, with Fiat lagging on a right-hand drive launch of its new range, this gap could widen.

Fiat says it hopes to have a right-hand-drive S on show at the National Exhibition Centre motor show in October and that an allocation of 1,000 vehicles has been made for the U.K. in 1979.

But the U.K. market is a difficult one to crack as it is polarised around 2.5 tonnes and is then fragmented up to 7.5 tonnes over which a heavy goods vehicle driving licence is required.

Leyland still has a strong grip on the 3.5, 4.2, 4.4 and 5. [...] sectors with its EA a[...] models, the EA going [...] exclusively to the Post Off[...] the FGs still popular wi[...] and similar deliverers.

However, it would be [...] ing if Leyland were to [...] these models, which a[...] ageing, and so replac[...] seem likely in the near f[...]

And both the other U.[...] ducers, Bedford and C[...] are rumoured to be work[...] new competitors in this [...] looking for improved [...] into Europe.

The Bedford CF is [...] enjoying some success in [...] navia as well as Italy, but [...] Motors has recently an[...] its intention to broaden [...] sively its overseas sales ba[...] It is likely that com[...] vehicles will be one [...] spearheads.

Renault still dominate[...] French market, but will [...] challenged by Unic on it[...] home ground in a marke[...] takes about 109,000 of the [...] pean total of just over [...] vehicles a year in this se[...]

That is why the Eu[...] challenge under the Iveco [...] of the new trucks from F[...] be watched closely by a[...] competitors.

HOME NEWS

Two jailed over dollar premium plot

FINANCIAL TIMES REPORTER

TWO MEN were jailed at the Old Bailey yesterday after admitting conspiring to obtain money by deception from authorised dealers in invesement currency. Brian Wooding, 63, solicitor, of Milford, Surrey, an undischarged bankrupt, was sentenced to three years. Patrick Walsh, 36, solicitor's clerk, of Chingford, Essex, received two years, nine months.

Judge John Buzzard, QC, told them: "This was an extremely serious conspiracy which would have cost the public £1m. if it had succeeded."

Mr. David Tudor Price, prosecuting, said that both men were approached by other people in 1975 or 1976 with the offer of financial reward if they aided a scheme to obtain dollar premium rebates by deception.

Wooding was offered £10,000 to prepare a fictitious list of securities, mainly South African mining shares, which were supposed to be eligible for the dollar premium. Walsh was offered £50,000 to write a similar letter regarding other securities.

But the schemes fell through when the necessary financial backing could not be found in London or America.

Det.-Supt. David Harness, of Scotland Yard's fraud squad, was told that £3½m. was named at one time as the amount needed to finance the bogus operation—but then the higher figure of £20m. was talked about.

Judge Buzzard said both the guilty men had played an important part in the scheme as they worked in solicitors offices, but he accepted they had gained nothing out of it.

Plan to burn U.S. toxic waste halted

BY OUR INDUSTRIAL STAFF

THE FIRST shipment of 4,290 gallons of toxic waste leaves the U.S. for Britain this week—but plans to burn it in Pontypool, Wales, were banned, at least temporarily, by the Health and Safety Executive yesterday.

Another 1,000 drums of the toxic kepone are awaiting shipment from Allied Chemical Corporation.

Re-Chem International, with plants at Southampton and Roughmute, Stirlingshire, as well as at Pontypool had planned to burn the 78 of the 55-gallon drums after the British Government accepted a submission from the U.S. State Department for permission to export the toxic waste to Britain.

Allied had first sought permission from the U.S. Environmental Protection Agency to release 80 drums. This was cut to 78 to enable them to fit into an international size container for shipment to Britain.

Battles

Yesterday the Health and Safety Executive served a prohitibion notice to the company under the provisions of the Health and Safety at Work Act, 1974. This said that processing of kepone should not be carried out unless a safe system of work had been established and agreed with the executive.

The notice was issued because the executive was concerned about the hazards of kepone, which can produce sterility, uncontrolled trembling and brain and liver damage.

Allied stopped producing it in 1974 after legal battles over water pollution and alleged failure to warn former employees of the dangers of the product. It was fined $13.3m. in October, 1976, for 940 violations of federal water pollution control laws.

On Friday the Department of the Environment said it was aware of the difficulties Allied had in the U.S. over the chemical. But Re-Chem, who planned to dispose of it in Britain, had a licence to do so. "We see no reason to suppose it will not dispose of it adequately."

Crown Agents probe date

THE PUBLIC Tribunal of Inquiry investigating further reasons for the Crown Agents' losses of over £200m. on secondary banking and property investment in the earlier 1970s is to hold its first preliminary hearing next Monday.

The purpose of this initial hearing by the three-man tribunal, whose chairman is Mr. Justice Croom-Johnson, is to announce the lines of inquiry to be pursued, explain the procedure to be followed and give directions about the place and times for the hearing of evidence.

Drivers' hours protest

BY OUR TRANSPORT CORRESPONDENT

THE GOVERNMENT should remove "a ludricrous anomaly" relating to lorry drivers' hours during the period of transition to EEC driving day rules according to the Freight Transport Association.

Britain is committed under EEC rules to reducing the maximum permitted driving day from ten to eight hours over the next three years, but the industry had assumed that in adopting this tighter regulation it would be relieved from the provisions of U.K. law concerning maximum permitted duty periods.

These domestic laws limit drivers to a maximum duty period of 11 hours, regardless of the amount of time actually spent driving, with a maximum "spreadover" of 12.5 hours, to take in breaks.

The Freight Transport Association says that the combination of the two sets of law will make many existing operations involving periods of waiting or non-driving duty illegal.

TERRY DODSWORTH examines the NEB report on British Leyland

Further aid 'an act of faith'

THE REPORT on British Leyland published yesterday by the National Enterprise Board, the company's main shareholder, concludes that further support is "an act of faith."

It adds that the course now being charted is correct, and that, having exercised the "important sanction of changing the management of the company," it is now committed to giving Leyland its fullest support.

The report, which is less optimistic than the ill-fated Ryder Report which followed the first Government-backed reorganisation of the company three years ago, says that no target higher than a 10 per cent. return on capital employed is realistic before 1981.

But if the company can achieve its objectives over the next two years—a period which, it argues, is crucial to Leyland's survival—there should be no problems over finance in the years following the plan period.

In the next four years covered by the plan, the board has accepted the Leyland proposal that a further £850m. should be provided from public funds.

Of this, £450m. will be in the form of new equity which will be advanced this year in order to restore the strength of the balance sheet. The main reasons for this form of funding, says the enterprise board, are:

● The risks inherent in the business.

● The need for an equity base to sustain an adequate private sector borrowing capability and to produce a reasonable debt—equity ratio (at present this ratio stands at 75:25, which will be converted to 49:51 after the new equity injection.)

● The first investment of enterprise board funds was in the form of loan finance, while the board has "always considered" that it would be appropriate for some funds to be in the form of equity.

Resources

The £850m., together with the £150m. loan provided to the company in 1977 will bring the Government's commitment to Leyland to a total of £1,000m. in the period up to 1981.

Leyland is also forecasting that in this period it will be able to generate a comparable sum (of about £850m.) from its own internal resources, and will obtain extra finance from the private sector. These sums are required to finance an investment programme of some £1.3bn. and a higher level of business activity.

However, the Board will itself be unable to provide all of the £450m. equity, partly because of limits on its own cash resources and partly because of the need to avoid over-commitment on one project.

Thus £150m. will be made available under Section 8 of the Industry Act 1972. Funds provided this way do not count against the Board's statutory financial limit, which is to be raised from £700m. to £1bn.

The Board stresses that the new equity is necessary if the company is to be managed "efficiently and if it is to concentrate on the tasks essential to restore it to commercial and financial health."

It agrees with the company that it is "unhelpful" to link the provision of long-term investment finance to day-to-day industrial relations performance—an arrangement made last year after the month-long toolmakers' dispute whereby new finance was made subject to specific conditions about improvements in industrial relations and productivity.

The Board has now agreed to revert to the original monitoring procedures. These entail monitoring the company's performance against budget during the year and allocating finance annually against an updated corporate plan and budget for the following year.

The Board adds, however, that the company at this stage needs assurances about the future availability of finance. It, therefore, asks for an assurance of funds to finance its corporate plan through to 1981 "within the overall total of £1,000m. depending on satisfactory performance by British Leyland, or, in the event of unsatisfactory performance, to furnish the Board with such funds as would be necessary to implement whatever decision is then taken about the future of the company."

Mr. Eric Varley, Industry Secretary, said yesterday that the Government had accepted this request in principle.

The report is much less detailed than the Ryder Report, and does not break down expenditure on different parts of the company, or make any market share projections.

It also seeks to be more cautious than the previous report, indicating that Leyland's production capacity will have to be brought into line with demand, and that the improvement in productivity and performance will be a very gradual process.

Great emphasis is placed on the performance of Leyland in the next two years. "It is the results of 1978 and 1979 which will determine the future of BL Cars."

Confidence

Therefore, it believes that Leyland is "right to give the highest priority to a programme of short-term actions designed to produce success in 1978 and 1979.

"Both British Leyland and the Board believe that lack of confidence, engendered to a substantial measure by the public attention to the company's problems, has been a very large factor in the recent decline.

"The company's weaknesses have been exaggerated and its strengths largely ignored. Thus, the benefits of reasonable success from the company in the short term, linked with public demonstration of confidence in the company by Board and Government, are likely to be of a high order."

Legal problem holds up option participation

BY MARGARET REID

STOCK Exchange companies wishing to join the European Options Exchange which opens to-day in Amsterdam are held up by a legal problem. This is in spite of the removal of exchange control obstacles to British investors dealing there in options on U.K. shares.

It is not clear whether Stock Exchange concerns could become members of the new Amsterdam exchange without requiring dealers' licences under the Prevention of Fraud (Investments) Act 1958. The Trade Department is taking an opinion on the subject from counsel, which is not expected to decide for another week or so.

Two British Stock Exchange concerns are participating in the new exchange through overseas subsidiaries. These are W. I. Carr, a shareholder, via its Hong Kong subsidiary, in First Options of Amsterdam, which will be a clearing member of the new exchange, and Sebag Bermuda Holdings, which is wholly-owned by Joseph Sebag. Merrill Lynch, the American group which is the world's largest stockbroker and is a clearing member of the new exchange, is expected to provide a clearing service for Sebag Bermuda.

It is thought that up to a dozen or so concerns on the British Stock Exchange may be interested in joining the new one if and when the remaining legal obstacle is removed.

The Bank of England has agreed that British investors may deal in Amsterdam in options on British shares without having to pay the investment currency premium. British concerns which do join the exchange eventually will be able to pay the necessary membership expenses, also without incurring liability to pay the premium.

International company news, Page 32

February beer output up

FINANCIAL TIMES REPORTER

BEER production in the U.K. in February totalled 2.8m. bulk barrels, or 8.1 per cent. up on February last year.

Retailers stocked up in anticipation of price rises from some brewers in early March, the Brewers Society said. Distribution pipelines had to be topped up, after de-stocking at the end of 1977 caused by strikes and go-slows in depots and breweries. The early Easter boosted demand.

Comparisons with February 1977 were artificial because production in the early months of last year was hit by duty increases. Taken together, production in the first two months of 1978 was still below 1974 and 1975.

Persian kings book sold for record £310,000

SALEROOM

BY ANTONY THORNCROFT

A NEW AUCTION record for any item of Persian art was paid at Sotheby's yesterday when an Iranian private collector gave £310,000 for an illustrated Shahnama, or book of kings, dated 1602, and containing 62 fine minatures. It was estimated at about £85,000.

The book comes from Khurusan, possibly Herat, and was written by the scribe Haydar Quli Al-Harawi. The previous top price was the £280,000 paid at Christie's in 1976 for the Houghton Shahnama.

The manuscript was part of the collection of the late Hagop Kevorkian, the archaeologist. A total of £871,000 was brought in by the sale. Another exceptional price was £160,000 from Spink for a rare manuscript of Al-Jazari's "Book of Knowledge of Ingenious Mechanical Devices." compiled in either Egypt or Syria in about 1315 with nine diagrams and 98 miniatures.

Al-Jazari was probably the greatest medieval Islamic technologist and this is the second earliest copy of the manuscript known.

A single illuminated leaf from the Demotte Shahnama, one of the major 14thcentury Persian manuscripts, sold for £100,000—double its estiamte. In 1969 another sheet from the same manuscript sold for £30,000 at Southeby's.

This was a very successful ale with almot all the lots selling, many for muc habove their forecast. All the prices carry a 10 per cent. additional buyers' premium. The group of miniatures from the "Murray" album—assembled in the 18th-century by Col. John Murray of the Bengal Army—brought in £36,660 for the 19 lots, with a top price of £9,500.

A set of six Meissen armorial teaspoons from the Swan Service made for Count Bruhl was sold by Christie's yesterday for £6,000. Count Bruhl was an important political figure in the government of August III and a former manager of the Meissen factory.

While pieces from the Swan Service regularly come up for auction, their sale yesterday was the first occasion on which any of the teaspoons has been sold. Until yesterday it had generally been assumed that the teaspoons had been lost or broken. Sent for auction by one of Christie's European clients, they were bought anonymously in a sale which totalled £78,142.

A Meissen ormolu-mounted quatrefoil bowl of Christie Miller type, circa 1740, and painted with figures and buildings in a continuous river landscape, sold anonymously for £2,600.

The London picture dealer Roy Miles paid £2,200 for a Meissen Augustus Rex oviform vase painted by J. E. Stadler, circa 1730, and Adams Antiques of London paid £2,000 for six Berlin armorial plates of about 1775.

Thorn director dies in crash

A PILOT killed at Coventry airport when his single-engined Cessna plane crash-landed was identified yesterday as Mr. William Heron Liddell, aged 45, U.K. commercial director of Thorn Lighting.

Mr. Liddell, married, of north London, was to have taken up a new job shortly with the company with special responsibility for sales on the Continent.

LEGAL NOTICES

LAUREL PORCH

NOTICE OF MEETING OF CREDITORS

NOTICE IS hereby given, pursuant to Section 293 of the Companies Act 1948, that a meeting of the Creditors of the above-named Company will be held at 11-13 Holborn Viaduct, London EC1P 1EL, on Friday, 7 April, 1978, at 12.30 p.m. for the purposes mentioned in Section 293, 294 and 295 of the said Act.
DATED 22nd day of March, 1978.
A. LEW, Director.

No. 00927 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of SYRONS INVESTMENTS LIMITED and in the Matter of the Companies Act 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 20th day of March 1978 presented to the said Court by EPHRAIM MOSES of 13 Sheldon Court, Lower Edgeborough Road, Guildford, Surrey, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 24th day of April 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.
RUBINSTEIN CALLINGHAM,
6 Raymond Buildings,
Gray's Inn,
London, WC1R 5BZ
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 21st day of April 1978.

HOME NEWS

El Al charters to quit Luton

By Michael Donne, Aerospace Correspondent

EL AL, the Israel national airline, is transferring to Stansted its holiday charter flights between the U.K. and Israel because of industrial relations problems at Luton Airport.

Security personnel at Luton had objected to El Al providing its own security men aboard its flights. They had threatened to strike if the airline did not change its policy.

El Al finally decided at the end of last week to move to Stansted because it could wait no longer for the men to change their minds. "It is a shame. Luton has lost the prestige and the business," it said.

Scotch switch

DISTILLERS WILL replace the Johnnie Walker Red Label brand of Scotch whisky with John Barr in the U.K. The square bottle is retained, but a new gold and black label will be used.

Glaxo move

GLAXO HOLDINGS is reorganising its pharmaceutical business in the U.K. by creating a single subsidiary for the manufacture and sales of prescription medicines from its six companies.

Insurance law

NEW DRAFT regulations on authorising insurance companies to carry on direct general insurance business in Britain were published yesterday. They will bring into effect further provision of the EEC's Non-Life Insurance Establishment directive.

Engineering study

RADICAL CHANGES in engineering apprenticeships, enabling young people to qualify as craftsmen on their 18th birthday, were proposed by the Engineering Industry Training Board yesterday. Entrants will no longer need to acquire craft status by serving a given period.

Watchdog welcomed

MR. BRIAN MAYNARD, chairman of the Consultative Committee of Accountancy Bodies, yesterday welcomed the setting up of the Council for the Securities Industry, the new City body to oversee the securities markets on a wider basis.

Blacking affect

THE EFFECTS of the Post Office Engineering Union's blacking of new equipment in the Post Office are "appalling," say the Telephone Users' Association. It had caused bitterness and a "lowering of morale."

Air link probe

OBJECTIONS to the proposed helicopter link between Heathrow and Gatwick airports are to be heard in public in London to-morrow at the Civil Aviation Authority's headquarters, Space House, Kingsway.

Pensions rush

MORE THAN 17,400 employers have submitted applications to contract-out of the new State pension scheme which starts on Thursday, according to figures by the Occupational Pensions Board.

Channel tunnel could cost only £500m.

By Our Transport Correspondent

A PLAN FOR a scaled-down Channel Tunnel, perhaps costing only £500m., is being drawn up by British and French railway planners and may be considered by the British Rail board this autumn.

A joint planning exercise between British Rail and Société National des Chemins de Fer has been in progress for six months, but interest in its findings has heightened because of a rekindling of interest about the project in some EEC quarters.

The new scheme would involve a single track to be used alternatively by up to 20 trains a day. This would give a journey time of four hours between London and Paris, including a 40-minute passage through the tunnel. One outstanding problem is whether to select British or European (Berne) gauge for the track.

New North Sea setback for Hamilton Brothers

BY RAY DAFTER, ENERGY CORRESPONDENT

THE HAMILTON Brothers group has suffered another big setback in its North Sea oilfield. A mechanical failure on the tanker loading system will mean that the field, which has been shut down for the past two months, will remain closed for another six weeks.

Closure aleady has resulted in a delay in oil revenue to the partners of about £8m. Production worth a further £6m. will be held up as a result of the latest problem.

A bearing failure in the single-buoy mooring system means that the turntable carrying the loading hoses is unable to move. This movement is essential to allow tankers to load oil in varying wind and sea conditions. It is thought that corrosion might have caused the mechanical failure.

Weather

The mooring system is to be moved from the field to a yard—probably in the U.K.—for reconditioning work. Samson Diver, claimed to be the world's largest marine construction diving support vessels, is to assist in the lifting and transportation of the mooring buoy.

Hamilton Brothers said that it was hoped production would be restarted about May 15. This will depend on weather conditions.

Bad weather has prevented the installation of the Transworld 58 semi-submersible production platform which had been towed to a Scottish yard for repairs to a fatigue crack on one of the underwater support members. The field was first shut down on February 4.

Production from the field—the first on stream in the North Sea—had been averaging 21,000 to 23,000 barrels a day during periods of good weather in December and January.

Interests in the Argyle Field, the smallest commercial oil discovery in the North Sea, are Hamilton Oil (28.8 per cent.); Hamilton Petroleum (7.2 per cent.); Rio Tinto-Zinc (25 per cent.); Texaco (24 per cent.); Associated Newspapers (12.5 per cent.); and Kleinwort Benson (2.5 per cent.).

Brae field may cost $2bn.—Marathon

THE BRAE Field in the North Sea is likely to be developed at a probable cost of about $2bn. (£1.07bn.), according to Marathon Oil, the leading partner involved in the project.

Marathon has told shareholders that the field could be on stream by 1982 which would mean that the Brae consortium would have to take a development decision within the next 12 months.

The field, operated by Marathon subsidiary Pan Ocean, is one of the most complex geological structures in the North Sea. Consequently, in spite of 12 exploration and delineation wells sunk at a cost of more than £40m., the oil industry is uncertain about the extent of recoverable reserves.

Marathon says in its annual report that Brae is a major field with reserves in excess of 500m. barrels. The eighth well, which flowed oil at an aggregate rate of more than 33,000 barrels a day, was one of the most prolific wells in Marathon's history.

Pan Ocean is core-testing the 12th well which, according to Gilbert Eliott and Co, stockbrokers, has encountered several hundred feet of oil-producing sandstone.

Marathon has told shareholders that the latest well, drilled six-tenths of a mile to the north-west of the eighth well, is part of an evaluation programme designed to determine the location of production platforms. Preliminary development planning had begun.

Oil from Brae might well be carried in a new trunk line built in co-operation with operators on other nearby fields such as Toni, Thelma, Mabel and Andrew.

Partners in the Brae Field, which lies in block 16/7, are: Pan Ocean (38 per cent.); British National Oil Corporation (20 per cent.); and Saga (2 per cent.). Kerr McGee (8 per cent.); Ashland (6.3 per cent.); Ashland Canada (1.4 per cent.); Louisiana Land and Exploration (6.3 per cent.); Siebens Group (4 per cent.); and Saga (2 per cent).

Marathon is negotiating to acquire Ashland's stake in the partnership.

Cabinet will be urged to back tougher policy on mergers

BY RICHARD EVANS, LOBBY EDITOR

A SHIFT in the Government's attitude towards competition policy involving a much tougher policy towards mergers is to go before the Cabinet shortly ahead of publication of a Green Paper next month.

A 14-man inter-departmental committee has recommended unanimously to Ministers that in future it should be shown that a positive public benefit would flow from a proposed merger.

At present, although the legislation is theoretically neutral, in practice, mergers tend to go ahead unless it can be proved that they are positively against the public interest.

The idea seems to be to restore the neutral balance intended in the original legislation. This may be done more by strengthening the procedures in the Act rather than by making fundamental changes to the law.

The change has come about after increasing acceptance among Ministers that the policy favourable to big mergers pursued both by Mr. Edward Heath, when he was Prime Minister, and by Mr. Anthony Wedgwood Benn, when he was Industry Secretary, has been largely ineffective.

The report from the inter-departmental committee chaired by Mr. Hans Leisner, chief economic adviser to the Departments of Industry, Trade and Prices and Consumer Protection, will now be forwarded to the economic strategy committee of the Cabinet.

The hope is that a Green Paper will be approved by the Cabinet and published during May outlining the Government's proposals.

Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, one of the Ministers most closely involved in competition policy, already has a major Bill in draft but this is unlikely to be made public before the next election.

The prospect, therefore, is for a change in competition and merger policy to be included in Labour's next election manifesto. With the Conservative Party claiming that Ministers are deliberately trying to steal Tory clothes by placing emphasis on increased competition.

Money growth rate 'needs 12% ceiling'

BY DAVID FREUD

IT WILL NOT be possible to maintain a stable exchange rate unless the rate of monetary growth is brought back below 12 per cent., the London Business School Centre for Economic Forecasting warns in its latest forecast.

The centre says that without a stable rate "the target of maintaining single-figure inflation would be virtually impossible.

The recent drop in the exchange value of sterling reflects the strong growth in money supply over the last few months, says the centre. The disappointing trade figures were an additional depressing factor.

Movement of money supply and sterling give a clear warning for the Budget strategy. Money supply growth in terms of M3 is now running at an annualised rate of 19 per cent. and the centre argues that an £8bn. borrowing requirement for the next year is the maximum consistent with 11-12 per cent. monetary growth.

"This is the figure to watch in the Budget, rather than the net tax giveaway," it says.

The longer leading indicators however, were indicating a possible decline in real monetary growth later this year. The centre says the indicators have shown signs of weakening.

Since they are based on financial indicators and reflect the rise in interest rates and fall in share prices, they could be "discounting some recovery in the inflation rate and a decline in real monetary growth later this year."

City brokers L. Messel also attribute the decline in sterling to the rapid growth of money supply in recent months.

The firm says that under international monetarism if money supply is higher than in other countries in a small economy open to international commercial forces, the exchange rate weakens and necessitates inflation above the international attribute the decline in sterling average.

Messel says: "An important consequence of the 6.5 per cent. depreciation of the pound since late January, therefore, is that inflation will acceler[ate] year—unless officia[l] taken soon to bring [it] under control."

Brokers Fielding [...] Smith expect Marc[h] supply figures to b[...] annualised rate of [...] last April to 14 per [...] the 14.7 per cent. [...] February.

Coal plans hit by decline in deman[d]

BY JOHN LLOYD

THE NATIONAL Coal Board's marketing plans will require revision because of low demand from its two largest customers, the Central Electricity Generating Board and the steel industry.

The demand from the steel industry has fallen sharply in the last financial year. The total sales—including the Board's own coke ovens—were slightly more than 14m. tons for the financial year 1977-78, compared with around 17m. tons for the previous year.

Within the overall figure, sales to the British Steel Corporation fell from nearly 11m. tons in 1976-77 to slightly more than 9m. tons in 1977-78.

The Board sees no prospect of an upturn in demand from the steel industry in the next year or two. However, talks are going on between the Board and British Steel on an agreement on the amount of coke taken each year.

Last month Sir Derek Ezra, Coal Board chairman, criticised British Steel for cutting back sharply on its orders of coke in the past year.

Earlier this year, the coal board and the Central Electricity Generating Board announced that the generating board would take an extra 3m. to 4m. tons in 1978-79, taking the electricity industry requirements up from 69m. tons to 72m. tons.

However, the electricity board stress that the agreement is a conditional one, depending on the coal board raising the price of coal by no more than 10 per cent.—which it has already done—and on consistent delivery dates being [...]

More seriously f[...] board, electricity b[...] believe that much [...] the extra coal take[n] will be stockpiled [...] will mean a reduced [...] year.

The low future de[mand ...] electricity and [...] industry will mean [...] board's target in [...] Coal" of 135m. tons [...] be re-examined. Whi[le] been doubts that [...] could achieve its go[al ...] success of the [...] scheme has inclined [...] optimism.

Now, however, t[...] appears to be shiftin[g ...] of getting the coal [...] selling it.

Plan to decentralise London Transport

BY LYNTON McLAIN, INDUSTRIAL STAFF

PLANS TO decentralise London Transport were announced yesterday by Mr. Ralph Bennett, the new chairman. He said that he would be disappointed if results for passengers did not show by the end of the year.

He could not ignore the reality that the quality of bus and train services had deteriorated over the years.

He also admitted that rolling stock, stations and garages were not as spick and span as they could be. A persistent shortage of cash and manpower had started to take its toll.

Nearly 700 more drivers would still be needed by the end of the year.

The delegation of more responsibility to Mr. David Quarmby, the newly-appointed managing director for buses, and Mr. Michael Robbins, managing director of railways, would help to "put a human face on the organisation."

Local bus garage managers would be set specific targets and would be responsible for meeting them. "We want people at the top of our local organisations to be known as the London Transport man or woman for Croydon, of Finsbury Park or Chiswick," Mr. Bennett said.

One of the main changes for the running of London's buses will be the use of a quality service index.

Cognac price increase plan

THE PRICE of Courvoisier Cognac Three Star Luxe will be increased by slightly more than £2 a case immediately after the Budget.

APPOINTMENTS

Pirelli post for John Carr

Mr. John Carr is to become managing director of PIRELLI LIMITED, tyre manufacturer, from July 3. He will succeed Mr. Norman Mould, who retires in June.

At present general manager of the group purchasing and management services division of Dunlop Limited, Mr. Carr will join Pirelli on May 15 to begin a six-week handover period, working with Mr. Mould.

Mr. Carr joined the central purchasing department of Dunlop in 1952, spending six years in London and Singapore specialising in the field of natural rubber. He returned to London in 1958 and for the following seven years was concerned with purchasing in the company's materials supply division. After a period with the general rubber goods division, Mr. Carr was made general manager, materials supply division, in 1975 and was recently appointed to his present post.

Pirelli Limited makes radial ply car and truck tyres, cross ply truck tyres, leisure footwear and seating suspension equipment for the world's motor and furniture industries. Its factories are at Burton-on-Trent and Carlisle.

★

Mr. D. A. Pinn, managing director, has been elected deputy chairman of ALCAN ALUMINIUM (U.K.). Mr. D. M. Culver and Mr. P. J. J. Rich have resigned, following their recent appointments in the Alcan Group (Mr. Culver as president of Alcan Aluminium Limited of Montreal and Mr. Rich as executive vice-president of Alcan Aluminium Limited with responsibility for North and South America). Mr. Eric F. West has been made a director of the company. He is Alcan Aluminium Limited's executive vice-president with responsibility for Europe and Africa.

★

Mr. Gerald R. James has been appointed a director of BELHAVEN BREWERY GROUP.

★

Mr. T. J. Swete, chief executive of Hill Samuel and Co., oHG, Frankfurt, has been [...] the Board of HILL SA[MUEL ...] CO., London.

★

Mr. John Rowley [...] appointed to the [...] HESTAIR. He is [...] director of SOS [...] subsidiary.

★

Mr. Harry Lofthouse, [...] BANK branch man[ager ...] Market Street, Bradf[ord ...] corporate manager a[...] to control the branch [...] Powell will be branc[h ...] and Mr. Barry E[...] become deputy manag[er].

★

Mr. Frank Watts [...] FISKE AND CO., stoc[kbrokers ...] a partner. Mr. Clive [...] Mr. Simon Wharmby [...] joined the firm.

★

Mr. H. Martin and [...] Garety have been a[ppointed to] the Board of [...] CONTAINER (U.K.).

Bank m[...] accuse[d] of doll[ar] premiu[m] offence[s]

Financial Times Repor[ter]

THE TRIAL of a [...] England official and [...] men, including a [...] trader, for alleged d[ollar pre]mium offences was [...] for legal argument [...] the jury were sworn [...] at the Old Bailey.

It is expected t[...] to-day after the legal [...] has ended and will la[st ...] months.

The trial—the [...] Treasury and Scot[...] moves in 1976—conc[...] Martin Wales, 42, [...] England official, of [...] Adrian James, 32, [...] Bray, Berks., Leonar[d ...] 39, panel beater of [...] on the Wolds, Not[...] Taylor, 61, builder, [...] ton, West London, Je[...] 57, commodity trader, [...] Essex, and Reginald [...] company director, [...] Warwicks.

All are accused o[f ...] together and with [...] and other persons [...] August 1, 1975, and [...] 1976, dishonestly to [...] from authorised [...] investment currency [...] intention of [...] depriving them of the [...] deception, mainly [...] pretending that cur[...] they would sell to [...] was investment cu[...] which they were [...] receive the dollar pre[mium].

All the defendants [...] James, also are char[ged ...] similar conspiracy [...] period January 1, 19[...] 30, 1976. Mr. Taylor [...] accused of inciting [...] Ash between August [...] April 30, 1976, to [...] by a similar decep[tion].

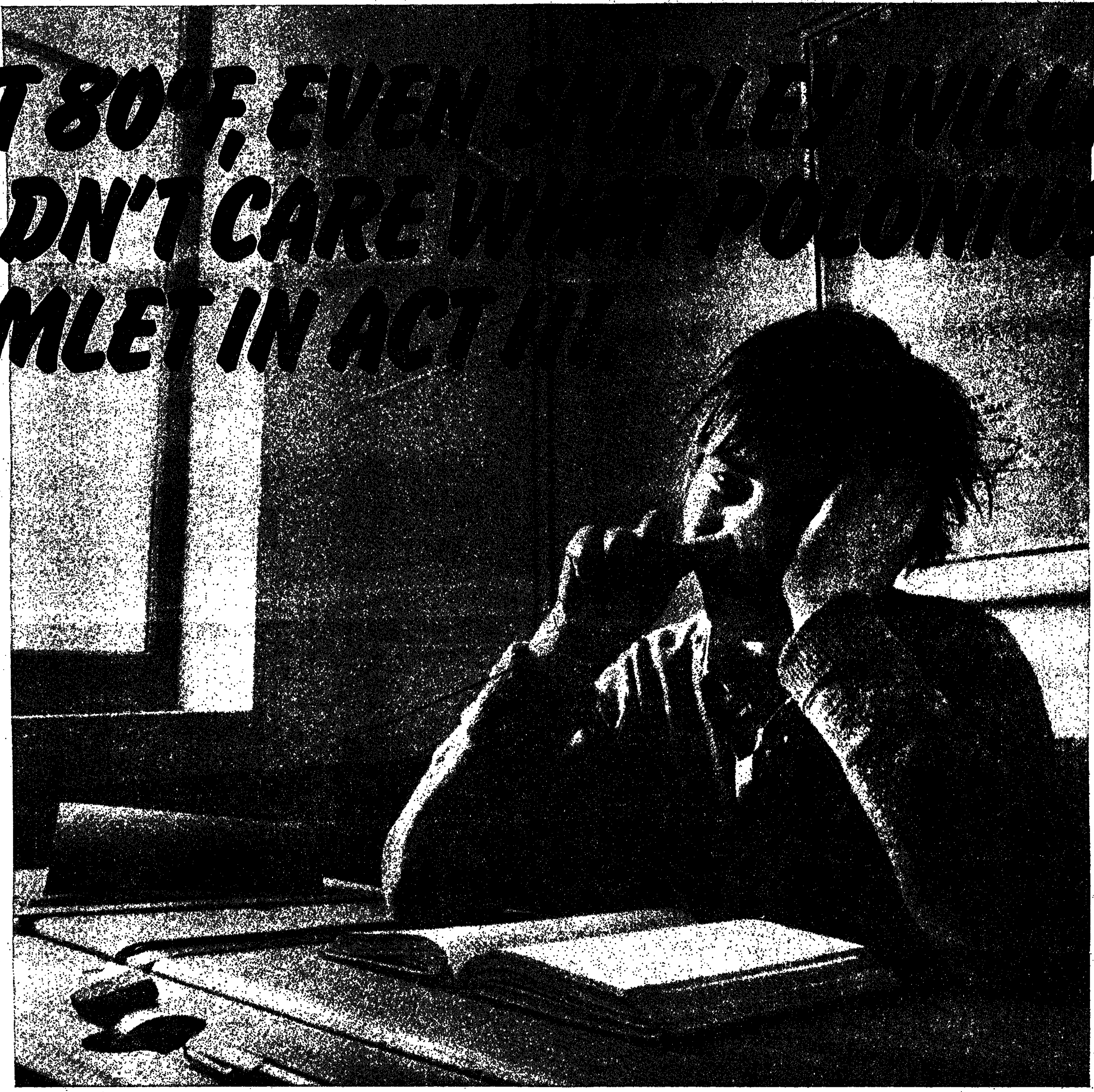
Mr. Ash is accu[sed ...] two documents pu[rporting ...] copies of letters [...] Mr. Keith James [...] 1975-76, and Mr. Ja[mes ...] with furnishing fal[se ...] to the Bank [...] exchange control [...] October, 1975, to [...] Mr. Guardien was [...] who had had secu[...] with a solicitor [...] since January, [...]

The six deny all [...]

U.S. Air [...] homes fa[...]

THE U.S. Air Forc[e ...] £460,000 on improv[ing ...] men's homes at [...] and Woodbridge [...] Suffolk.

AT 80°F, EVEN SHIRLEY WILLIAMS WOULDN'T CARE WHAT POLONIUS SAID TO HAMLET IN ACT III.



The Great Debate rumbles on.

Should we have a core curriculum? Have we, by our emphasis on creativity rather than grammar and spelling, done a disservice to literacy?

The question of what and how we teach our children must obviously be a subject for continuing deliberation.

The conditions in which we teach them should never be.

A child sitting in a stuffy, overheated classroom cannot maintain a proper level of concentration.

His mind will wander, and he will either start day-dreaming, or cause trouble.

Research in America and in the UK proves that the productivity of industrial workers is severely affected by rises in temperature.

While a man works best at around 65°F, at 75°F his productivity has fallen by 10%, at 85°F by 18%.

At temperatures above 75°F his accuracy is also impaired, and he is 23% more likely to have an accident.

For a sedentary worker, like a schoolboy, the ideal temperature is probably slightly higher—from 67°F to 73°F.

But increases in that temperature bring about similar decreases in concentration and productivity.

Like the industrial worker, too, overheating will also affect him psychologically.

The industrial worker is more likely to become an absentee, or go on strike.

The schoolboy is more likely to become difficult to control, or even, through boredom, play truant.

Add to that the germ trap a stuffy classroom becomes—teachers catch colds with greater speed and regularity than the average member of the population.

And extend the problem beyond the classroom, to changing rooms, science laboratories and kitchens.

And proper ventilation becomes as essential to a school as enough chairs and desks.

Colt have been solving ventilation problems for over 45 years.

The Colt system of ventilation is appropriate to a wide range of buildings—schools, factories, warehouses, shopping precincts, hospitals and prisons.

And it can be operated to provide a safeguard against the effect of fire.

If you are involved in planning ventilation for a new or existing building, or replacing obsolete ventilation, phone or write to Colt now for our free technical advice and comprehensive survey.

After all, we want our schools to make our children "nobler in mind." Not "to sleep, perchance to dream."

Colt International Limited, (Health and Safety at Work), Havant, Hants, PO9 2LY. Havant (0705) 451111; Telex: 86219.

People work better in Colt conditions.

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on April 3, 1978. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Schedule Territories; (k) Scheduled Territory; (o) official rate; (F) [free] rate; (T) tourist rate; (n.c.) non-com[mercial] rate; (n.a.) not available; (A) approximat[e rate] no direct quotation available; (sg) sellin[g rate]; (bg) buying rate; (nom.) nominal; [(exc)] exchange certificates rate; (P) based o[n] dollar parities and going sterling dolla[r rates]; (Bk) bankers' rate; (Bas) basic rate; [(cm)] commercial rate; (cn) convertible rate; [(fn)] financial rate.

Sharp fluctuations have been seen in the foreign exchange market. Rates [in the] table below are not in all cases closi[ng rates] on the dates shown.

Place and Local Unit		Value of £ Sterling
Afghanistan	Afghani	85.90
Albania	Lek	O 10.0089
Algeria	Dinar	7.54392
Andorra	French Franc	8.52
	Spanish peseta	149.05
Angola	Kwanza	n.a.
Antigua (S)	E.Caribbean $	5.0485
Argentina	Ar. Peso Free Rate	1.342
Australia (S)	Australian $	1.6552
Austria	Schilling	27.00
Azores	Portug. Escudo	76.45
Bahamas (S)	Ba. Dollar	1.8690
Bangladesh (S)	Taka	28.70
Bahrain (S)	Dinar	0.721
Balearic Is.	Spa. Peseta	149.05
Barbados (S)	Barbados $††	3.738
Belgium	B. Franc	(cm) 58.55
		(fn) 58.55
Belize	B $	3.738
Benin	C.F.A. Franc	426
Bermuda (S)	Bda. $	1.8690
Bhutan	Indian Rupee	15.74225
Bolivia	Bolivian Peso	37.38
Botswana (S)	Pula	1.5470
Brazil	Cruzeiro ‡‡	31.65
BrVirgin Is (S)	U.S.$	1.8690
Brunei (S)	Brunei $	4.398
Bulgaria	Lev	1.71
Burma	Kyat	12.822
Burundi	Burundi Franc	170.535
Camero'n Rp	C.F.A. Franc	426
Canada	Canadian $	2.1240
Canary Is.	Spanish Peseta	149.05
Cape Verde I.	Cape V Escudo	n.a.
Cayman Is. (S)	Cay. I. $	1.5567
Cent. Af. Rp.	C.F.A. Franc	426
Chad	C.F.A. Franc	426
Chile	C.Peso	(Bk) 51.28
China	Renminbi Yuan	3.1334
Colombia	C. Peso	(F) 71.48
Comoros I'ds.	C.F.A. Franc	426
Congo (B'ille)	C.F.A. Franc	426
Costa Rica	Colon	16.066
Cuba	Cuban Peso	1.4048
Cyprus (S)	Cyprus £	0.7025
Czechoslovak.	Koruna	(com) 10.30
		(nc) 20.80
		(T) 17.55
Denmark	Danish Krone	10.32¾
Djibouti	Fr.	325(sg)
Dominica (S)	E. Caribbean $	5.0485
Domin. Rep.	Dominican Peso	1.8690
Ecuador	Sucre	(O) 46.88
		(F) 46.57
Egypt	Egyptian £	(O) 0.705
		(T) 1.38
Ethiopia	Ethiopian Birr	(P) 3.87119
Eq'l Guinea	Peseta	149.05
Falkland Is. (S)	Falkland Is. £	1.0
Faro Is.	Danish Krone	10.32¾
Fiji Is.	Fiji $	1.6169
Finland	Markka	7.77
France	French Franc	8.52
Fr. C'tyinAf*	C.F.A. Franc	426
Fr. Guiana	Local Franc	8.52
Fr. Pac. Is.	C.F.P. Franc	154.9
Gabon	C.F.A. Franc	426
Gambia (S)	Dalasi	3.9638
Germany (East)	Ostmark	3.75¼

Place and Local Unit		Value of £ Sterling
Germany West	Deutschmark	3.75¼
Ghana (S)	Cedi	2.10(sg)
Gibraltar (K)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.6552
Greece	Drachma	68.272
Greenland	Danish Kroner	10.32¾
Grenada (S)	E. Carribean $	5.0485
Guadaloupe	Local Franc	8.52
Guam	U.S. $	1.8690
Guatemala	Quetzal	1.8690
Guinea Rep.	Sily	38.3814
Guinea Bissau		76.308
Guyana (S)	Guyanese $	4.7634
Haiti	Gourde	9.349
Honduras Rep	Lempira	3.77
HongKong (S)	H.K.$	8.6515
Hungary	Forint	(com) 72.68
		(T) (nc) 56.55
Iceland (S)	I. Krona	504.60
India (S)	Ind. Rupee	15.74225
Indonesia	Rupiah	775.22
Iran	Rial	(A) 131
Iraq	Iraq Dinar	0.550241
Irish Rep (k)	Irish £	1.00
Israel	Israel £	30.75
Italy	Lira	1,586¼
Ivory Coast	C.F.A. Franc	426
Jamaica (S)	Jamaica Dollar	2.5257
Japan	Yen	405
Jordan (S)	Jordan Dinar	0.5556(sg)
Kampuchea	Riel	2241.6
Kenya (S)	Kenya Shilling	14.8060
Korea (Nth)	Won	1.7888(§)
Korea (Sth)	Won	901.95
Kuwait (Sth)	Kuwait Dinar	0.511
Laos	Kip Pot Pol	373.8
Lebanon	Lebanese £	5.4782
Lesotho	S. African Rand	1.62612
Liberia	Liberian $	1.8676
Libya	Libyan Dinar	(P) 0.5550
Liecht'nstn	Swiss Franc	3.4575
Luxembourg	Lux Franc	58.55
Macao	Pataca	9.2851
Madeira	Portug'se Escudo	76.45
Malagasy Rp.	MG Franc	426
Malawi (S)	Kwacha	1.590
Malaysia (S)	Ringgit	4.405
Maldive Is. (S)	Mal Rupee	7.34124
Mali Rp.	Mali Franc	852
Malta (S)	Maltese £	0.7225
Martinique	Local Franc	8.52
Mauritania	Ouguiya ‡	88.1278
Mauritius (S)	M. Rupee	11.8515
Mexico	Mexican Peso	42.55
Miquelon	C.F.A. Franc	426
Monaco	French Franc	8.52
Mongolia	Tugrik	(O) 5.958 (‖)
Montserrat	E. Carribean $	5.0485
Morocco	Dirham	7.98(sg)
Mozambique	Moz. Escudo	60.585
Nauru Is.	Aust. Dollar	1.6552
Nepal	Nepalese Rupee	23.350
Netherlands	Guilder	4.015
Neth. Ant'les	Antillian Guild	3.3457
New Hebrides	Franc	157.597
	Austl. Dollar	1.6552
N. Zealand (S)	N.Z. Dollar	1.8271
Nicaragua	Cordoba	13.17
Niger Rp.	C.F.A. Franc	426
Nigeria (S)	Naira	1.18118
Norway	Nrwg. Krone	9.895
Oman Sultanate of (S)	Rial Omani	0.645
Pakistan	Pkst. Rupee	18.45
Panama	Balboa	1.8690
Papua N.G. (S)	Kina	1.3582

Place and Local Unit		£
Paraguay	Guarani	
P'pl's D. Rp of Yemen (S)	S. Yemen Dinar	
Peru	Sol	
Philippines	Ph. peso	
Pitcairn Is. (S)	£ sterling	
	New Zealand $	
Poland	Zloty	
Portugal	Pgse. Escudo	
Port. Timor	Timor Escudo	
Principe Isle.	Pgse. Escudo	
Puerto Rico	U.S. $	
Qatar (S)	Qatar Ryal	
Reunion Ile de la	French Franc	
Rhodesia	Rhodesian $	
Romania	Leu	
Rwanda	Rwanda Franc	
St. Christopher (S)	E. Caribbean $	
St. Helena	St. Helena £	
St. Lucia (S)	E. Caribbean $	
St. Pierre	C.F.A. Franc	
St. Vincent (S)	E. Caribbean $	
Salvador El	Colon	
Samoa (Am)	U.S. $	
San Marino	Italian Lire	
Sao Tome	Pgse. Escudo	
Saudi Arabia	Ryal	
Senegal	C.F.A. Franc	
Seychelles	S. Rupee	
Sierr Le'ne (S)	Leone	
Singapore (S)	Singapore $	
Solomon Is (S)	Australian $	
Somali Rep.	Som Shilling	
Sth. Africa (S)	Rand	
S.W. African Territories (S)	S. A. Rand	
Spain	Peseta	
Span. Ports in North Africa	Peseta	
Sri Lanka (S)	S.L Rupee	
Sudan Rp.	Sudan £	
Surinam	S. Gilder	
Swaziland (S)	Lilangeni	
Sweden	S. Krona	
Switzerland	Swiss franc	
Syria	Syria £	
Taiwan	New Taiwan	
Tanzania (S)	Tan. Shilling	
Thailand	Baht	
Togo Rp.	C.F.A. Franc	
Tonga Is. (S)	Pa'anga	
Trinidad (S)	Trin. & Tobago	
Tunisia	Tunisian Dinar	
Turkey	Turkish Lira§	
Turks & C'a	U.S. $	
Tuvalu	Australian £	
Uganda (S)	Ug. Shilling	
Utd. States	U.S. Dollar	
Uruguay	Uruguay Peso	
Utd. A'b Emis.	U.A.E. Dirham	
U.S.S.R.	Rouble	
Upper Volta	C.F.A. Franc	
Vatican	Italian Lire	
Venezuela	Bolivar	
Vietnam (Nth)	Dong	
Vietnam (Sth)	Piastre	
Virgin Is. U.S.	U.S. Dollar	
Western Samoa (S)	Samoan Tala	
Yemen	Ryal	
Yugoslavia	New Y Dinar	
Zaire Rp.	Zaire	
Zambia	Kwacha	

* That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
\+ Rupees per pound.
‡ The Auguiya has replaced the CFA franc. The exchange was made at a rate of CFA Frs.5 to one unit of the new currency.
¶ General rates of oil and iron exports 78.486.
‖ Based on cross rates against Russian rouble.
** Rate is the Transfer market (controlled).
†† Rate is now based on 2 Barbados $ to the doll[ar].
‡‡ Now one official rate.
§ Following 24 per cent. devaluation.

A FINANCIAL TIMES SURVEY

SRI LANKA

MAY 31 1978

The Financial Times is preparing a major survey on Sri Lank[a]. The Survey will examine in depth many aspects of Sri Lanka['s] economic, trade and business life. The provisional editori[al] synopsis is set out below.

FOREIGN POLICY Non-alignment as seen by Mrs. Bandaranaike; t[he]...

INTRODUCTION Victory of United National Party at the Polls; co[n]stitutional changes in the light of Mr. Junius Jayawardene taking ov[er] the presidency; need for national reconciliation after bitter electi[on] struggle; turnabout in economic policy.

THE ECONOMY Changes brought in by the Government's first budge[t]; liberalisation of exchange controls and floating of the currency; phasin[g] out of subsidies and import controls.

POLITICS Reasons behind Mrs. Bandaranaike's defeat; rout of her par[ty] and its allies; programme of the United National Party.

EXPORT ZONE One of the key points in the Government's programm[e] to attract foreign investment and revitalise industry.

UNP's interpretation of non-alignment; relations with Indian Ocea[n] states.

LABOUR Nation of active trade unions; their role in politics; attitud[e] towards Government's new economic policy.

AGRICULTURE Irrigation schemes; raising farm output; current year prospects.

MANUFACTURING SECTOR Private investment depressed by control[s] of past; changing Government policy; impact of exchange and impor[t] liberalisation.

THE TAMILS Vocal minority who have become main opposition party demands for autonomy; grievances over jobs and education.

WELFARE SYSTEM One of the most extensive of developing states schools and universities; food subsidies; transport; health care.

TOURISM High promise as source of foreign exchange; developmen[t] of coastal resorts; charter packages to Sri Lanka.

PROFILES Leading personalities in the new administration.

TRADITIONAL COMMODITY EXPORTS

For further details on the editorial content and advertising rates pleas[e] contact Nicholas Whitehead,
Financial Times, Bracken House, 10 Cannon Street, London EC4P 4B[Y]
Tel: 01-248 8000 Ext. 7112

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

مكتبة الأرشيف

هكذا من الأصل

LABOUR NEWS

Tyneside boilermen back common pay pact

By Our Own Correspondent

MORE THAN 2,000 boilermakers voted overwhelmingly yesterday in favour of a pay agreement aimed at securing industrial peace in the five Tyneside shipyards of Swan Hunter.

Only *295 men voted against* the common wages agreement already accepted by 5,000 other tradesmen in the Tyne yards.

The agreement, likely to be implemented before the end of the month, will end effectively inter-union pay rows which have plagued the yards for more than ten years and which recently lost Swan Hunter a £57m. order from Poland.

It will give all craftsmen £83 a week and ancillary workers £72 a week and allows for greater flexibility among trades. It includes the setting up of a joint negotiating committee to handle annual pay talks on behalf of the entire workforce.

Historic

Mr. John Hepplewhite, a member of the Boilermakers' Executive, said after a two-hour mass meeting: "This is an historic day. The decision, which is a victory for common sense, will tell the whole world that Tyneside is back in the business of building ships.

"This agreement has been a long time in coming, but it has all been worthwhile. All we want to do now is get back to the position of being a world leader when it comes to building ships."

Although the agreement still has to be ratified by the Government's Arbitration Committee on Friday, this should be a formality after yesterday's decision.

The boilermakers' approval was vital because they were the group of workers mainly involved in the union power struggle on Tyneside.

Jenkins takes hand in banks campaign

BY NICK GARNETT, LABOUR STAFF

MR. CLIVE JENKINS, general secretary of the Association of Scientific, Technical and Managerial Staffs, has taken a hand in a new attempt to prod bank staff associations into merger talks, a move that will further embitter the feuding between unions in the finance industry.

Since the middle of last month, when the National Union of Bank Employees formally withdrew from joint negotiating machinery in the clearing banks, *a move partly designed to break* the influence of the staff associations, Mr. Jenkins has twice written to the Confederation of Bank Staffs Associations, the staff association's umbrella body.

The first letter suggested preliminary talks on the situation *regarding representation in the* banks.

The second discussed his association's aims, and Mr. Jenkins specifically mentioned that it was seeking new "partners."

The move could prove significant in that the confederation has more than 80,000 members in the clearing banks, against NUBE's 60,000.

Both ASTMS, which is trying to boost its small foothold in banking, and NUBE, which is attempting to expand into insurance, a traditional ASTMS area, are now operating in defiance of the wishes of the TUC leadership.

Mr. Len Murray, the TUC general secretary, told the NUBE conference at the weekend that, in effect, ASTMS should keep out of banking and it should stop recruiting and organising in insurance.

The official line of the confederation, which comprises the staff associations at Barclays, National Westminster and Lloyds, *is* that no action will be taken on the "feeler" by Mr. Jenkins until the inquiry into clearing banks' staff representation ends.

The inquiry is being set up in response to the negotiating shambles the five major clearing banks are in following the withdrawal of NUBE.

Discussion

A split, however, has emerged within the confederation. The Lloyds staff association has already started tentative merger talks with NUBE.

Mr. John Bealey, the Lloyds staff association general secretary said yesterday that he still wanted a single staff body for the clearing banks and he saw this in terms of a merger between NUBE and the staff associations.

Lloyds association will, however, be discussing the letters from Mr. Jenkins at its policy-making meeting next week.

The official confederation view, marked particularly by the attitude of the National Westminster staff association is that if the associations have to start merger talks then it would be better to do them with ASTMS.

This is partly because ASTMS philosophy of company-level negotiations is more in line with that of the staff associations than *NUBE's more national approach.*

It also reflects the antagonism that has developed between NUBE and the staff associations.

Mr. Wilfred Aspinall, the confederation general secretary, said yesterday that Mr. Murray's attitude on spheres of influence was *of no concern to his union.*

In insurance, a poorly unionised area of 200,000 workers, it is NUBE that has thrown the cat among the pigeons.

The union which has only a few hundred insurance members intends setting up an insurance sector and has agreed merger terms with the 5,800-strong Guardian Royal Exchange Staff Union.

Insurance, however, is a conditional area for ASTMS which has negotiating arrangements in a number of major companies including Prudential, Pearl and Norwich Union.

The TUC leadership is clearly worried that insurance, and the section of banking where membership is represented by non-TUC affiliated organisations will become a recruitment battleground.

Mr. Murray, *in telling both* ASTMS and NUBE to keep within their traditional recruitment areas, has been trying to nip the problem in the bud.

Civil Service union threatens action over 22-27% claim

BY PHILIP BASSETT, LABOUR STAFF

LEADERS OF 105,000 civil servants have threatened to consider industrial action over a 22-27 per cent. pay claim after the Government yesterday refused to allow it to go to arbitration.

Mr. Albert Booth, Employment Secretary, told representatives of the Society of Civil and Public Servants yesterday that [illegible] offered [illegible] maximum under the pay guidelines. The Government could not allow arbitration to exempt civil servants from pay policy.

The society, which is the second largest Civil Service union, believes that the decision could have widespread significance for pay claims procedures.

It says that there is a 53-year-old agreement that a Civil Service union can request arbitration, but the Government told the union yesterday that it was not a statutory right.

Mr. Campbell Christie, the society's deputy general secretary, said after the meeting with Mr. Booth that the decision contradicted the Government's policy of a return to collective bargaining and no statutory incomes policy.

Only a fortnight ago the Prime Minister had urged teachers to rely on *arbitration rather than* industrial action, but the Government's message to civil servants was the opposite.

There was no alternative, but industrial action if the union was to achieve a just settlement.

The society's executive will meet *to-morrow to discuss* the decision, and whether to approach the TUC or the Advisory, Conciliation and Arbitration Service about it.

The Department of Employment said that both the present and, previous Governments had reserved for a long time the right to refuse arbitration "on grounds of policy."

More than 500,000 seek big pay rises

By Pauline Clark, Labour Staff

TWO groups together representing more than 500,000 workers in the chemicals sector and in local government said yesterday that they were seeking substantial pay rises and a shorter *working week in* negotiations starting under phase three of the Government's pay policy.

The National and Local Government Officers' Association has been preparing for a possible confrontation with the Government over its 10 per cent. pay *ceiling with provisional plans* for a special pay conference.

The conference will take place only if 50 branches of the union have sent in a request for it by the deadline set for the end of this week. The union said yesterday that 44 had responded.

A considerable increase is said by the union to be required to restore its members to the position in which they were at this time last year.

Nurses split

When negotiations start on April 12, the union says it will underline the Government's inconsistency in operating the 10 per cent. guidelines.

- Leaders of Britain's 420,000 nurses and midwives are split over a 10 per cent. offer from the Government. The Royal College of Nursing negotiators say the deal is acceptable but the National Union of Public Employees has asked its members to reject it, partly because of the way the money is being divided.

Scottish miners agree to wait

By Ray Perman, Scottish Correspondent

SCOTTISH miners have agreed to give the recently-introduced pit incentive scheme a longer trial, after complaining last month that payments were falling below expected levels.

A delegate meeting of the National Union of Mineworkers in Edinburgh yesterday heard a report from union leaders of a meeting with the National Coal Board to discuss grievances and agreed to wait another six weeks before reviewing the scheme.

Mr. Graeme Steel, Scottish vice-president of the union, said that there had been an opportunity during the meeting for delegates to raise problems, but none had done so.

In some pits where payments were said to be particularly low, the amount of money received has been increasing as the men get used to operating the system.

The system has been running for 10 weeks in Scotland, but many pits have joined more recently and one is still outside the scheme.

Production has increased by up to 2.5 cwt a man shift in some weeks, bringing the total to 42 cwt., its highest level for two years.

Rolls sit-in after talks break down

BY OUR LABOUR STAFF

MANUAL WORKERS at Rolls-Royce's aero engine plant in Coventry started a sit-in yesterday after talks on a pay claim dispute had broken down and 2,600 workers had been suspended without pay.

Two thousand staff were sent home yesterday and Rolls-Royce said last night that a further 1,400 manual workers at the nearby Ansty plant would be laid off this afternoon and to-morrow morning.

Rolls-Royce has offered an immediate 9.7 per cent. overall wage rise, ranging from £5.52 *for* labourers to £10.13 for top-skilled day workers, with the remainder being held in reserve to cover guaranteed earnings for piece workers whom the company hopes will switch to measured day working.

The company has been trying for four months to win agreement to end piece-work at the plant, but without success. If the 0.3 per cent. was not needed for the change, the 10 per cent. would be paid out in full.

But the manual workers want the full 10 per cent., which would take some grades to £100 a week. They said yesterday that if they accepted 9.7 per cent., they would be accepting the end of piece-work, which was still under negotiation.

Sanctions, including an overtime ban and a work-to-rule, had been in force for several weeks before the sit-in.

At another trouble spot in Coventry, the Chrysler car engine plant, there will be a union-management works conference to-day on a strike by 70 fork lift truck drivers which has caused the 4,000-strong work force to be laid off.

Two of the drivers were suspended for disobeying agreed policy on labour mobility. The strikers are due to meet to-morrow.

- A thousand workers at the Massey-Ferguson tractor plant in Coventry are still laid off because of a shortage of orders, but the rest of the 4,000 workers were back yesterday after an extended Easter break resulting from the cuts.

TUC seeks more cash for health

By Our Labour Staff

THE TUC General Council is to ask the Prime Minister, Mr. Callaghan, for more money for the National Health Service.

The TUC said yesterday that capital spending on the Health Service in real terms was only two-thirds of what it was in the early seventies and cash limits had led to underspending of more than £200m. in little more than a year. Family practitioner services were under increasing strain.

The General Council wants an extra £150m. spent on the health and personal social services during 1978-79. It believes that the Government's planned annual growth rate for expenditure on the Health Service of 1.8 per cent. until 1982 is not enough to improve it.

It points to nearly or wholly completed hospitals which cannot be opened because of cash limits. It says that extra money is essential if working people are to receive the health care to which they are entitled.

New threat to Royal Portbury

By Our Labour Correspondent

BRISTOL'S £38m. Royal Portbury Dock will be ready to accept its first commercial vessel next week—but could remain *closed.*

Sixty tugmen lifted their ban on working the new dock yesterday and accepted their employer's offer of a 10 per cent. pay rise with a 7 per cent. productivity deal.

But they see this as an interim settlement and want further improvements in pay, which their employers say they cannot give. This is likely to provoke further industrial trouble and could lead to tugmen re-imposing their boycott on the dock.

The dock has been idle since it was opened by the Queen on August 8 last year.

British Airways seeks cabin crew peace plan

BY OUR LABOUR STAFF

UNIONS AND management in British Airways are expected to meet to-day to seek a permanent solution to the cabin crew dispute which crippled European and domestic air services for 24 hours yesterday.

The one-day strike by about 2,200 stewards and stewardesses based at Heathrow and employed on short-haul flights was due to end at 6 a.m. this morning after causing the cancellation of about 330 flights, affecting 25,000 passengers.

Although normal service on all routes is expected to-day, British Airways said some flights could be affected early on by the need to re-position some staff and aircraft.

Union officers in the airline cabin crew section of the Transport and General Workers Union have had talks with management for more than a year on plans for a common cabin crew force with common rules since the merger between BOAC and BEA.

In the present dispute, short-haul crew have been arguing for the same promotion prospects as their 4,200 colleagues who work on long-haul flights.

The short-haul crews—who earn the same as those on long-haul flights with salaries ranging from £2,900 to £5,800 a year and who belong to the same union—want to be in line for promotions offered on the long-distance services.

Long-haul stewards and stewardesses are said to be arguing the issue because, although their services offer a third of the promotions going, they have to wait longer before they receive them.

Talks to end potteries' strike fail

TALKS TO end a strike by engineers in Stoke-on-Trent's pottery industry broke down yesterday.

More than 200 maintenance engineers picketed the city's main potteries in support of a pay claim. Union officials met the management whose offer was rejected as "outrageous and totally unacceptable."

Now the British Ceramic Manufacturers Federation plans to approach the government's Arbitration and Conciliation Advisory Service to seek a solution.

Tyneside Metro threatened

A PAY dispute threatening the future of the £160m. Tyneside Metro underground rail network was taken up yesterday by Mr. William Rodgers, Transport Minister.

Mr. Rodgers will attend talks at Newcastle-upon-Tyne this month on a £30-a-week pay claim by 2,000 busmen who are needed to operate temporary bus services as overground rail links are closed for electrification. The men are threatening to boycott work on the Metro unless their demands are met.

Leyland £450m. equity agreed

FURTHER state backing worth £450m.—for British Leyland this year, has been approved by the Government, Mr. Eric Varley, Industry Secretary, announced yesterday.

In a Commons written reply, Mr. Varley said that the Government was supporting the National Enterprise Board's recommendation to provide the new equity to aid British Leyland management's plans for the future.

Mr. Varley said: "The Government accepts in principle that £850m. of public funds will be needed over the period 1978-81, and envisages that, if British Leyland progresses on the lines set out in the plan, the necessary funds will be provided.

"In future the financial provision will be looked at annually, starting next November, in the light of progress made and of future prospects.

"If events show a serious risk that the plan's objectives cannot be achieved, then the Government with the company and the NEB will have to consider the options; and the Government would have to accept the financial consequences of any change of plan that it might then agree with the NEB."

Returns

Mr. Varley added that to assist the monitoring of Leyland's performance, the Government had also accepted that a financial duty should be imposed on the NEB over British Leyland of a 10 per cent. return on capital by 1981.

"The duty for later years will be considered further when BL's 1979 Corporate Plan is put forward towards the end of this year," said Mr. Varley.

● All British companies, including British Leyland, will be expected to observe the EEC code of practice on trade with South Africa, Mr. Leslie Huckfield, Industry Under-Secretary, said in a Commons written reply yesterday.

Implementation of the code was still being discussed with the Confederation of British Industry and the Trades Union Congress, he said.

But when the talks had been completed, Mr. Edmund Dell, Trade Secretary, would "commend the Code to all British companies . . . with interests in South Africa."

Mr. Huckfield added: "We shall expect British Leyland to observe it along with other British companies concerned."

Quiet start for first day of Commons broadcasts

BY PHILIP RAWSTORNE

THE GOVERNMENT marked the opening yesterday of live radio broadcasts from the Commons by making its most important policy statement in writing.

Mr. Eric Varley, Industry Secretary—lacking a microphone if not a sense of history—announced the Government's £850m. support for British Leyland in a written reply to a parliamentary question.

Radio listeners were denied even the sound of the protests that followed.

The Commons timetable, in fact, perversely ensured that there was little entertainment as well as news content in yesterday's broadcast.

But Welsh questions, the first on the list, opened to a much bigger audience of MPs than usual. Remarkably spruce, some of them appeared, as if hoping that a television camera lurked in the roof instead of the two unobtrusive "effects" microphones.

"Order, order," Mr. George Thomas, the Speaker, called apprehensively over the air.

The MPs, however, moved with conscious and cautious decorum into what Mr. Michael Foot had described as "a very important development in the history of Parliament and democracy."

Politicians are more aware of distortions than most—and the microphones magnify the normal undercurrent of comment, approval and dissent into a football fans' fracas.

It says much for the modulated restraint of the Commons yesterday that in spite of the echo chamber effect of the broadcast, the session sounded reasonably conducted.

However few listeners outside Wales, struggling to keep abreast of question and answer, could have felt much sympathy for the demands they heard for more TV and radio broadcasts in Welsh—especially after Mr. Dafydd Ellis Thomas had quoted a few unintelligible Celtic words at Mr. John Morris.

Inside the Chamber, no one referred directly to the Historic Event.

The Speaker, noting the steadily growing length of questions and answers, said in mild deprecation that he could not explain why this should be happening. Welsh eloquence perhaps?

Unemployment in Wales, however, provoked the first party political chorus of a short but well-rehearsed chant from the Tories of "Back to work with Labour."

Then Mr. Charles Morris, Civil Service Minister, transmitted the first family commercial, broadcasting the fact that his brother Alfred was "Minister for the Disabled, you know."

Mr. Morris, sounding increasingly breathless, also put across a stronger defence of the Civil Service than is normally heard from Westminster.

And Mr. Dennis Skinner, the abrasive Left-wing Labour MP for Bolsover, who is never short of breath, managed as usual to intervene twice before giving the last word to Mr. Foot.

The Lord President, though one of the most enthusiastic supporters of Commons broadcasts, used it to say little. It was clear enough, however, that he would view the advent of television cameras with considerably less hostility than further intrusion into Government of investigating select committees.

Hospital 'slurs' attacked

NO EVIDENCE of staff misconduct at St David's Hospital, Carmarthen, had been unearthed in newspaper reports, Mr. Barry Jones, Welsh Under Secretary told MPs yesterday.

He said in reply to Mr. Nicholas Edwards (C Pembroke) that Dyfed Area Health Authority was investigating. "They have so far found no substance in these allegations."

Mr. Jones said that a statement would be made when the inquiries had been completed.

"But I should like to take this opportunity to express my sympathy with staff of the hospital who understandably feel, as I do, that their collective reputation has been unfairly impugned by these anonymous inputations."

Mr. Edwards said that in spite of the allegations published in a daily newspaper, the hospital had a high reputation. He and others had received representations from patients.

He called for a full report when the inquiries are complete.

Mr. Gwynfor Evans, Plaid Cymru leader said: "This kind of sensational and irresponsible journalism should be heavily condemned."

Mr. Jones said that the information given to the police did not, in their view, justify further formal inquiries.

Left seeks more party power

BY RUPERT CORNWELL, LOBBY STAFF

LABOUR Left-wingers are stepping up their efforts to clip the wings of Commons select committees, which are increasingly emerging as effective and bipartisan critics of government and Whitehall, often to the great embarrassment of Ministers.

Next Monday, the party's influential home affairs sub-committee will be considering a report from a special working group on parliamentary reform.

Background

Its key suggestion is for revamped committees to shadow each Whitehall department, but organised along strictly party lines.

The document, whose drafters include Mr. Anthony Wedgwood Benn, the Energy Secretary, also calls for measures to force civil servants to divulge official information, and for MPs to be given extensive background detail whenever a Bill is published.

This would enable them properly to grasp the policy issues involved.

The central idea, though, is for committees to have staff and researchers appointed on purely party political lines—to head off what the Left sees as a dangerous tendency for MPs serving on them to subordinate party views to the needs to achieve an agreed report.

Two recent examples illustrate the trend: the Nationalised Industries Committee on the British Steel Corporation, when even Left-wingers involved backed a call for massive cutbacks in plant and manning; and the Select Committee on Immigration, whose Labour members were attacked by some colleagues for having more or less agreed to the Conservative line on race.

Assuming the Home Policy Committee (chaired by Mr. Benn) gives its approval, the chances are good for endorsement by the full National Executive Committee, and then by Labour's annual conference later in the year.

But there seems little hope of a Labour Government attempting to implement such proposals because of opposition from a sizeable number of Centre and Right-wing MPs.

The differences shone through Commons exchanges yesterday as two prominent Left-wing MPs, Mr. Denis Skinner and Mr. Eric Heffer insisted that the party battle should be carried into the committees too.

Mr. Michael Foot, Labour deputy leader and Leader of the House, fuly agreed. But other backbenchers attacked any attempt to curb the committee's powers.

Complaints about print unions

By Our Parliamentary Staff

THE GOVERNMENT has seen little evidence that the Society of Lithographic Artists, Designers and Engravers has changed the practices involved in its recruiting campaign, Mr. Harold Walker, Employment Minister of State, told the Commons last night.

He was asked by Mr. James Prior, Conservative employment spokesman, if the Government were satisfied that SLADE had reformed its practices following a Commons debate last June.

During this debate, SLADE was accused of using the threat of blacking non-SLADE work as part of a campaign to set up a SLADE art union.

In a written reply, Mr. Walker said he had not had consultations with SLADE since the Commons debate last year.

"The union is aware of my views, which were made plain on that occasion. I very much regret that, as yet, I have seen little evidence that the situation has significantly changed, although I understand that further talks are planned between the TUC's Printing Industries Committee and representatives of the advertising industry."

● MPs complained yesterday about the industrial dispute which has stopped printing of their Parliamentary papers, including Hansard.

Mr. Michael Foot, Leader of the House, assured them that talks were going on with the National Graphical Association about manning levels.

Her Majesty's Stationery Office management had asked the Advisory, Conciliation and Arbitration Service to look into the long-term problems.

Mr. Dennis Skinner (Lab., Bolsover) thought that MPs were "Parliamentary cry-babies."

War pension pledge

THE LESSONS of the underpayment of war pensions to 25 retired officers is being "forcefully" brought to the attention of pensions administration.

In a Commons written reply, Mr. David Ennals, Social Services Secretary, promised: "I am determined that war pensions shall be administered to the highest standards of integrity."

Accepting "unreservedly" the Ombudsman's severe criticism of the underpayments, Mr. Ennals said: "I do not condone or seek to excuse the actions of those who took the decisions."

Welsh office expanded

WHATEVER the eventual fate of the Wales Devolution Bill, the devolution of powers to the Secretary of State for Wales continues.

At the week-end, three new functions—agriculture, higher and further education, and the administration of ancient monuments—were handed over to his department, the Welsh Office.

As Mr. John Morris, the present Secretary of State, remarked, they bring the Welsh Offices' responsibilities much closer to those of the Scottish Office.

The most important change is for agriculture. Some 650 administrative staff of the Welsh Department of the Ministry of Agriculture, Fisheries and Food will be transferred to the Welsh Office and a general agricultural policy division for Wales will be set up.

Mr. Morris will now have his own team of advisors on Welsh agriculture's particular needs, in relation to both U.K. policy and Common Market Ministerial negotiations in Brussels.

The effect of the transfer of higher and further education functions is to give the Secretary of State responsibility for practically the whole range of education in the principality, the main exception being university affairs.

To-day's Welsh Office is still small by Whitehall standards, with a total staff of only some 2,600. But besides its new functions, the Department also has to look after the health services, housing and local government, and transport.

It also has responsibility for economic planning in Wales, financial assistance under Section 7 of the 1972 Industry Act, and the Manpower Services Commission.

Hand in hand with the development of the Welsh Office has gone an enormous growth in the power of political patronage at the disposal of the Secretary of State.

Mr. Morris noted two years ago that he personally made 628 appointments to 73 nominated bodies operating in Wales. Since then, the number has increased even further.

Indeed, this governing set-up in Wales is an important facet of the Welsh devolutionists' case. They argue that Wales already has a devolved bureaucracy. It is, therefore, essential that Wales now also has a devolved executive assembly—to make the bureaucracy democratically accountable.

Pay code blacklist to be published

By Our Parliamentary Staff

THE NAMES of companies blacklisted for breaching the Government's pay guidelines will be published in Trade and Industry if they consent to publication of this information, Mr. Joel Barnett, Chief Secretary to the Treasury, told the Commons in a written reply last night.

Asked by Mr. Kenneth Clarke (C., Rushcliffe) about the arrangements made for publication of the names of companies on the blacklist, Mr. Barnett said: "Letters have been sent to those firms, subject to discretionary action, whose names have not previously been published by the Government. The names of those firms who consent will be published in Trade and Industry."

Mr. John Moore (C., Croydon Central) asked about the procedure for removing companies no longer in breach of the pay policy from the Government's blacklist.

Mr. Barnett told him that a company which brought its wage settlements within the Government's pay limits was informed that discretionary action would cease.

"Those bodies responsible for the placing of public contracts and the consideration of Government assistance are informed accordingly."

The position of companies committed to legally enforceable agreements on wages which exceeded the pay guidelines was raised by Mr. Richard Wainwright (L., Colne Valley). He asked if the Government intended to use its discretionary powers to withhold or cancel contracts or aid against such firms.

Mr. Barnett replied: "The existence of legally enforceable agreements is, in itself, no bar to the withholding of Government contracts or aid.

"Whether a breach of pay policy will lead to a decision being taken to cancel contracts or aid will depend upon the circumstances of each case."

Mr. Peter Shore, the Environment Secretary, made clear that the new counter-inflation conditions in Government contracts are non-negotiable. He was asked by Mr. Clarke whether the Environment Department was prepared to enter into negotiations about the precise wording of the counter-inflation terms and conditions with a firm which was the lowest bidder for a public contract.

Mr. Shore replied: "No. All Procurement Departments are required to incorporate in their contracts the new counter-inflation condition and, in accordance with instructions issued by the Treasury, no negotiations on the terms can be allowed."

Canaletto cash offer

THE Victoria and Albert Museum has offered £137,500 to help save the two Canaletto paintings of Warwick Castle from export, Mr. Gordon Oakes, the Minister for Education and Science, said yesterday.

The money comes from the Museum's fund for assisting local museums to purchase objects for their collections.

Birmingham City Art Gallery and the Ashmolean Museum have both shown an interest in buying the paintings and they have until May 11 to raise the cash, Mr. Oakes said in a Commons written reply to Mr. Stephen Ross (L., Isle of Wight).

Mr. Oakes said: "This is by far the largest single grant ever offered from the Victoria and Albert Museum fund."

Armed forces promised better wage dea[l]

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER has now received the report of the Armed Services Pay Review Body and the Government intends to restore full comparability between service and civilian pay as soon as possible, the Commons was told last night by Mr. James Wellbeloved, Under-Secretary for the Royal Air Force.

Opening the defence debate on the RAF, he faced a strong attack from Mr. Winston Churchill, a Conservative defence spokesman, who accused the Government of inflicting greater damage on RAF morale than the Luftwaffe had achieved in the last war.

The Minister recognised that redundancy policies, the reduction in the size of the RAF and the constraints of pay policy had caused a great deal of concern to officers and men.

The report of the review body had been received by Mr. Callaghan last Friday, but had not yet been considered by the Government.

Benefits

Nevertheless, Mr. Wellbeloved promised: "As the economic outlook improves, the services can look forward to receiving their full share of the benefits that this will produce."

The armed services could now look forward to a period of stability. The Government would take every step to ensure that their vital contribution would be adequately recognised, both in remuneration and supply of equipment.

From the Opposition Front Bench, a formidable indictment of the Government's handling of the RAF was mounted by Mr. Churchill. He said that morale in the Air Force was so bad and that so many men were leaving, that some officers asking for premature retirement were being told they would have to stay on for a further eight years.

Mr. Churchill quoted a letter sent to him by a flying officer who was desperate to leave. Os his request was refused, he felt that the only way out wa[s to] commit an offence punishab[le by] Court Martial. The officer [wrote] in the letter: "My wife a[nd I] are at our wits end."

Pledging a future Conserv[ative] Government to a program[me of] strengthening the armed [forces] Mr. Churchill said tha[t the] Tories would accelerate the [pro]gramme for the Tornado [multi-role] aircraft due to start com[ing into] service next year.

They would also press [ahead] with the next generation [to re]place the Jaguar and Ha[rrier] aircraft.

The deficiencies in man[power] and reserves would be re[medied.] Urgent consideration woul[d be] given to strengthening Bri[tain's] deterrent capability and "[the] possibilities of a cruise m[issile] system."

The Tories would stren[gthen] the air defences of the U.K [and] restore full comparability [in ser]vices pay.

Mr. Churchill said that equipment in the RAF was [better] than the men using it. Min[isters] were responsible for unde[rmin]ing the morale of the fig[hting] men and had shamelessly [taken] advantage of the fact tha[t the] armed services could not [go on] strike.

Senior aircraftsmen wer[e re]ceiving less than £30 a wee[k on] which to keep a wife and children, at a time whe[n the] Manpower Services Comm[ission] was paying youngsters [£..a] week to count lamp-po[sts.]

Poverty line

"There are men in t[he RAF] to-day who are below the p[overty] line," he said.

The supply of adequat[e re]cruits had dried up. The f[ailure] rate of trainees on fast je[ts was] running at an unpreced[ented] level. The Government [was] guilty of "consummate inc[ompe]tence," particularly in sla[shing] RAF manpower by 14,400.

In addition, untold da[mage] had been done by repeatin[g cuts] and postponements in th[e] equipment programme, i[n the] face of the Soviet mi[litary] threat.

'Clobbered' Civil Service defended

BY IVOR OWEN, PARLIAMENTARY STAFF

CIVIL SERVICE staffing was reduced by 8,200 in the course of 1977, Mr. Charles Morris, Minister of State for the Civil Service, told the Commons yesterday.

He said that, as a result of this reduction, there were 738,000 civil servants on January 1, 1978, the latest date for which figures were available.

Mr. Morris, who promised that the Government would continue its efforts to contain the size and cost of the Civil Service, deplored the fact that "clobbering" the Civil Service had become almost a national sport.

While it was right that criticism of the Civil Service should be expressed, he said, it ought to be informed criticism.

The Minister was unable to meet a request from Mr. John Pardoe (Lib., North Cornwall) for figures showing the size of the Civil Service in 1970 or 1974 so that the House could more adequately assess the significance of the 8,200 reduction.

The Civil Service Department said later that the size of the Civil Service increased from 511,848 in April, 1974, to 746,000 in April, 1977.

Mr. Morris stressed that the size of the Civil Service [was] determined by the tasks Parliament required it to [under]take.

He agreed with Mr. Wrigglesworth (Lab., Thor[naby]) that the reduction disprove[d the] myth that the Civil Servic[e was] constantly growing in siz[e.]

Mr. Dennis Skinner [(Lab.,] Bolsover) warned that staf[f cuts] in the Health and Social Se[curity] Department could mean th[at] people on supplementary b[enefit] were not being visited.

Mr. William Molloy [(Lab.,] Ealing N.) led a fierce [attack] on the Civil Service fo[r its] failure to play a bigger r[ole in] providing more jobs for [young] people under the Govern[ment's] work experience scheme.

He called it a "contem[ptible] contribution" when Mr. [Morris] said that 36 young peopl[e had] been placed in Govern[ment] departments under the sc[heme.]

Mr. Morris said that he s[hared] Mr. Molloy's sense of ou[trage] but it was necessary to s[ecure] the support of the trade u[nions] and staff associations conc[erned.] Difficulties had arisen th[rough] opposition from one of the Civil Service unions.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

Among the exhibits put on display by General Telephone and Electronics at Communications 78, which opens at the NEC in Birmingham to-day, is this solar cell powered microwave repeater station which, GTE asserts, can be installed at only one-quarter the cost of existing repeaters. Shown is the low capacity system (the 700 FI) which has two solar panels providing abundant operational power even with just a few hours sunlight. Standby batteries fed from the cells ensure operation through as many as ten days total darkness. Economy is also the keynote of the company's up to 60-line PABX which provides state-of-the-art communications techniques from a unit not much larger than an ordinary desk-top telephone set. More on 01-890 1455.

● DATA PROCESSING

IBM twins big end

LAUNCHED in the U.S. last week and yesterday in London is a dual-processor version of IBM's largest current machine, the 3033, which should be capable of meeting the computing demands of the largest commercial users since, with all the ancillary equipment it can run, the machine represents something around the £5m. mark of computing devices.

It offers users twice the total storage, but up to 1.8 times the speed of the single processor. The trade-off is that one processor will be made to support major and important portions of the total load if the second processor is taken out of service for testing, maintenance, or any other reason.

First shipments of the machine in this version will begin in the U.S. in the third quarter next year. European markets for equipment with such vast power are hard to guess at. They are unlikely to absorb more than, say, 20 of them per year.

Card gives security

ANNOUNCED by Rockwell International in the U.S. is a data encoding or cyphering device on a single circuit card which can be incorporated into data terminal units to provide a high level of secure communications and so prevent theft or misuse of computer data.

The device, called CR-300, makes use of the company's chip which implements the Federal Data Encryption Standard algorithm.

It can be applied to financial transaction terminals, point of sale terminals, cash dispensing machines and traveller's cheque dispensers, ensuring security for each transaction. Even buildings can be secured with the CR-300 in a perimeter control system.

The card can work in conjunction with the bus (data highway) of a number of processors including the Intel 8080, Motorola 6800 and the Rockwell 6500.

Up to 32 "cryptovariables" — the essential keys to the enciphering process — can be stored and addressed in the on-card random access memory.

More from the company at P.O. Box 10462, Dallas, Texas.

● MARKETING

Canadians' quest in U.K.

A GROUP of Ontario companies will arrive in London on April 29 seeking British-made industrial and commercial products for manufacture under licence or through joint venture in Canada.

During a ten-day stay, the 13-member group wishes to see such products as plastic production machines; wood and metal signs; office furniture; municipal sewage and garbage equipment; commercial and industrial refrigeration units; instrumentation for liquid and waste water pollution control; metal finishing systems; vibration and noise control equipment; transistorised computer components and peripherals; sheet metal products in the hobby-crafts field and air-supported structures.

Appointments are being made through the Ministry of Industry and Tourism's Business Development Branch at Ontario House, Charles II Street, London SW1 4QS. 930 6404.

● PROCESSING

Cleans and gives bright finish

TWO SEPARATE operations, cleaning and bright dipping, can be carried out by the latest metal finishing machine to be produced by Hockley Chemical Company.

Designed for processing brass components for the plumbing industry, the 12-station machine has been installed at the Tipton, Staffs., works of Conex Sanbra. The first four stations can be used solely for cleaning and there is a take-off conveyor installed tranversely within the machine as a discharge station for cleaned parts.

When all 12 stations are required for the full bright dipping treatment, the interstage conveyor is by-passed by a chute which enables processed parts to be transferred automatically from the fourth to fifth stations.

The machine is fed by two large vibratory hoppers, which Hockley claims is an unusual feature for equipment of this type. It is called the Barraflo and more complete details can be obtained from the company at Hockley Hill, Birmingham B18 5AB (021-554 6201).

Lays down paste line

OF USE to those concerned with thick film circuits, printed board rectification and some aspects of instrument engineering is an accurate paste applicator put on the market by Interfax, of Sutton Coldfield.

It can be used to ensure fatigue-free accurate and economical applications of gold or silver epoxies as conductive thick films, or liquid solder and brazing pastes. Separate air pulse control units are supplied for pastes/epoxies and for thinner viscosity fluids. The dispenser, using disposable polypropylene paste containers and needles, allows accurate repetitive deposits down to 0.005 inch dots.

More from the company at 17a, Kings Road, Sutton Coldfield, West Midlands B73 5AB (021-354 5965).

Efficient removal of rust

WHEEL-OPERATED automatic shotblast machines of a new British design are offered for the high-speed removal of surface rust and scale to give a key for subsequent painting.

Stress-relief is created by the peening effect of the deluge of shot on to the workpiece surface, at a rate that can exceed 500 kg per minute of exposure.

Observation of many successive machines by company engineers has produced a new concept of operational efficiency which has enabled them to raise the performance of the new equipment to give a claimed 30 per cent. improvement over other existing designs. Proportionally longer life is given to wearing components and a sharp reduction in down-time for maintenance is one result.

Two main categories are being produced: batch production machines for cleaning small parts by tumbling on a moving belt, or by introduction into the blast area on a rotating table; and continuous flow-through machines.

Continuous production machines feed the workpiece through on conveyors. Structural steel sections feed through the blast cabinet on powered rollers. The standard machine will accept beams up to 1 metre in height or flat plates 1½ metres wide. Within these limits any shape or section can be treated, up to any length. Small sections can be passed through in multiples. The four wheels employed in this machine direct the shot radially inwards, to cover every part of the most complex sections, the small amount of overshoot impinging on a battery of high-chrome steel wear tiles lining the cabinet.

Power Blast, Collingwood Lodge, Camberley, Surrey.

● SAFETY

Hydraulic lift-up

AT THE Walthamstow factory complex of Hammond and Champness is the first hydraulic test unit to be used in the lift industry employing accumulators to simulate lift performance.

H and C designed and developed the system which uses four large nitrogen-filled accumulators that, when connected to a hydraulic piston, create a load on the ram which simulates the load of the lift in the shaft.

More from H and C at 159-173, St. John Street, London, EC1V 4JQ.

● POWER

Dual-role engine

ON VIEW at Hevac in Birmingham to-day is the prototype of a new gas engine that is certain to arouse interest among installers of environmental plant in new premises.

It is a dual-role unit. Primary function is for air conditioning through a chiller unit providing 53 tonnes/hour of cooling and with waste heat recovery at a rate of 100,000 BTU/hour.

In its secondary role, the engine will provide stand-by power with a rating of 40 kVA.

Developed on a special commission by Dale Electrics of Filey, Yorkshire, the engine is to be used for test purposes at the British Gas Solihull Midlands Research Station.

Also on view is a new design of modular boiler which comes in "packages" of 50 kW each (170,600 BTU/hour) and which can go up to 300 kW—six modules.

The high efficiency of 85 per cent. is claimed.

More from British Gas on 01-723 7030.

● PRINTING

Litho plate from paper

AIMED AT in-house print shops, quick printers and commercial houses dealing in short runs is the 3M 1135 table top electrostatic unit making same-size plates on a paper base.

The platemaker measures 30 by 21 by 12 inches, weighs 210 lb and can deal with original copy 10 inches wide and up to 14½ inches long.

The machine is essentially an electrostatic copier. A zinc oxide coated paper is charged by a high voltage unit; light is scanned through the original and powder toner then adheres to black image areas. The sheet then passes through high pressure rollers giving pressure fusing of the image to make it permanent.

The process takes only ten seconds; it involves no wet processing or mixing — only a single dry toner that needs relatively infrequent replenishment and does not deplete while the machine is idle.

Main advantage claimed for the machine is that it produces plates at 9p to 12p each, but at a quality normally associated with metal plates. Solid areas are dense and consistent and the press life is a nominal 500 to 800 copies, exceptionally extending to 1,000.

The 1135 also has a wide exposure latitude, ensuring good quality reproduction from a wide range of black and white or colour originals.

Controls consist of a simple exposure dial, quantity selector and start button. The platen allows some positioning of the original.

More about the machine, which can if required make plates from half tones with an 85 screen, from P.O. Box 1, Bracknell, Berkshire (0344 26726).

● OFFICE EQUIPMENT

Speeding up data flow

AUTOMATIC data writing equipment which will simplify and speed up invoice, purchase order and shipping manifest preparation, is to be presented by Ultronic Data Systems at the International Word Processing Exhibition at London's Wembley Conference Centre in June.

All data prepared on the system will be directly enterable for further analysis into the majority of major computers via the machine's punched tape. Automatic print-out by single element typesphere is effected at speeds of over 15 characters a second. As well as its tape punch the system can be fitted with two tape readers to expedite information retrieval from the tape store.

From its recently opened factory at Brighton, Sussex, Supertyper (U.K.) is expecting to show a new British-built TV screen-type computer which can store a miniature library of data on either floppy, or hard discs with access from the keyboard.

The Management Page

EDITED BY CHRISTOPHER LORENZ

The 'moment of truth' for an ailing French giant?

David Curry looks at the prospects of introducing professional management into the troubled Boussac textile empire.

HAD ONE not heard it said so often before, one would be tempted to comment that this time the moment of truth really has come for the Boussac textile group. After all, around Frs.450m. (£53m.) owing to the banks, some Frs.150m. due to the State for arrears of social security payments and VAT, losses of Frs.10m. a month, and a turnover shrunk to Frs.700m., make the sort of reading that would convince the average businessman that something has got to give.

But Monsieur Marcel Boussac is no ordinary businessman. For one thing, he is 89 years old. For another, he is one of the last of the great French entrepreneurs born in the 19th century (he keeps company with Marcel Dassault in this respect) and his personal tradition is one of authoritarianism. Finally, it is probably true that M. Boussac is the only person who understands the structure of his own group.

Nor is M. Jean-Claude Boussac, the current "managing director for life" of his uncle's private empire, an ordinary businessman. Leaving aside the question of whether he is a businessman at all, he has inherited the autocratic tradition and intense reluctance to sacrifice part of the family interests (either by closure or sale) in order to safeguard the rest.

Marcel Boussac: Bought his first racehorse in 1914

All this is by way of saying that the appointment of M. Jacques Petit to a senior job in the Boussac group, with effect from this week, may not herald the dawn of a new era—the era of professional management. The last professional manager, M. Claude-Alain Sarre, brought into the group after turning round the Prouvost Textile concern, lasted only a few weeks in 1975. He was pushed out when it became apparent that his management approach was not acceptable to M. Boussac. He was succeeded by M. Jean-Claude Boussac, thus keeping the affair in the family.

Nonetheless, there are some reasons for believing that M. Jacques Petit may last longer. It is strongly suspected that the main creditor banks—Credit Lyonnais and Banque Nationale de Paris—have insisted on the appointment, even though other names had been thought to be their choice.

Even if M. Petit is, in fact, M. Boussac's own nominee, it at least suggests that the family recognises the need for drastic treatment. For M. Petit is a specialist in handling difficult negotiations. Most recently he was one of the legion of ephemeral chairmen of the stricken Saint-Etienne mail-order and retailing group Manufrance, which has had more chairmen in a year than the Fourth Republic had Governments in a decade. He quit when he was not able to assemble all the new capital necessary to put Manufrance on to its feet. Before that, he ran the Prisunic chain of down-market stores for the Printemps group.

Now his job will be to coax new money into Boussac and implement the recovery programme put together by Jean-Claude Boussac — a recovery programme which follows the 1975 recovery programme which followed a whole succession of emergency fund-raising and closures.

This plan, now with the Industry Ministry, apparently envisages the reorganisation of the group into six subsidiaries (textiles, shirt-making, clothing manufacture, trade, export, and paratextile) under a single holding company. Textile activities would be sharply scaled down, with closures of both spinning and weaving facilities, and new product areas would be introduced. This would cost around Frs.100m. to implement and would mean around 2,500 redundancies among the 11,500-strong workforce, probably concentrated in the Vosges region where there are some 6,000 Boussac employees and where whole valleys depend on the company for work.

The big question is whether the Industry Ministry will impose stiff conditions for generating the cash Boussac needs. Over the past few years the company has been treated with kid gloves. One consideration, quite obviously, was the desire to prevent pre-electoral unemployment. It was probably this which, last September, led the Government to defer the Frs.150m.-odd the company owed in the shape of VAT and various social security charges. At the same time, the Government persuaded the banks to stay their hand.

In addition, M. Boussac owns the Right-wing newspaper L'Aurore (and its profitable racing stablemate Paris-Turf).

Finally, of course, there is no handbook on how to deal with people who have spent so much of their lives building up an empire with their own hands and are strongly imbued with the sense of property which the provincial middle classes absorb from birth.

Marcel Boussac, the son of a Chateauroux draper, lay the foundations of his cotton empire before the first world war. In 1914 he employed six workers and produced some 700 kilometres of thread. In 1918 he bought a vast stock of redundant aircraft canvas, from which he made clothes, and he went on adding factories and manpower throughout the inter-war years.

He owned his first Rolls-Royce as early as 1913. He purchased his first racehorse the following year, and continued to add houses, horses, property and the business of competitors for the next 30 years.

In 1938 his factories produced 88m. metres of cloth. In 1947, recovering quickly from a war in which most of his factories had been in the occupied zone, he embarked on a new phase of expansion. Making good use of Fourth Republic political contacts, he added prestigious names to the group. He created Dior in 1947. The first Bendix washing machine produced in France came out of the Boussac plant via a licensing agreement. His stable expanded to more than 200 horses and every morning he got up early to go to watch the workouts at Chantilly. By 1952, Fortune magazine had hailed him, crediting him with $150m. sales from 65 factories and 25,000 workers—the biggest textile empire in France.

The group continued to prosper, though without the previous record of growth, until the mid-1960s. But it was prosperity without evolution—and without devolution. The lines of clothing and material remained the same. Artificial fibres made no impact on the group's strategy. It remained indifferent to export markets and its investments were made exclusively within France. Competitors — Agache-Willot and DMC—challenged the group's traditional market leadership in certain sectors.

Above all, imports of cotton goods from low-cost producers struck Boussac at the heart of his empire—on which Boussac still blames his group's shipwreck. Between 1959 and 1966 cotton imports from Third World producers rose 27-fold.

The years from 1968 saw the steady contraction of the group by a process of piecemeal closures and disposals. The Dior perfume business went to Moet-Hennessy for around Frs.140m. after bitter haggling. In 1970 the first big amputation in the textiles sector was made when the Fives operation was closed with 1,000 jobs lost in the north. Other closures followed and M. Boussac had to dig increasingly into his pocket to bail out his group. But there was never any clear strategy of recovery.

M. Boussac himself came under pressure to name an heir apparent. There were several transitory dauphins. M. Jacques Brunet, a former governor of the Bank of France, lasted a few months, Boussac's son-in-law M. André Aupetit fared no better. The Institute for Industrial Development figured briefly on the horizon and finally M. Claude-Alain Sarre came and went. To what extent the group is now run by the old man and to what extent by his nephew is difficult to say, but to most people it makes little difference.

The first real rescue plan saw the light of day in 1975-76. It envisaged the modernisation of equipment, the introduction of new clothing lines, the closure of elderly facilities and the loss of some 2,000 jobs. The state put in Frs.40m. from its economic and social development fund and the banks coughed up around Frs.80m.

To repay debts and/or provide new working capital, it was envisaged that M. Boussac would sell, or at least pledge, his last remaining large personal asset outside the group itself — the choice 85 hectares of open horse-training country to the west of Paris known as Les Haras de Jardy.

Thinking in terms of its value as building land (and claiming President Pompidou pron[...] him planning permission) Boussac thought in term[...] Frs.150m. Without plan[...] permission—which the Min[...] refused—the price came [...] to between a quarter and a[...] of that. The banks said it [...] stand for some Frs.100-120[...] is still unsold—an examp[...] the difficulty government[...] banks have had in pinnin[...] Boussac down.

The rescue plan solved [...]tically nothing. Six month[...] with loan repayments du[...] everything sellable al[...] mortgaged, it was only [...] State's deferral of paymen[...] VAT and social security ch[...] which kept Boussac afloat[...] industry ministry [...] gloomily about bankruptcy[...]

But it was obvious th[...] solution was very pre-ele[...] A new rescue plan wa[...] manded and the pressure, [...] the banks and the minist[...] a managerial strong-man [...] whom they could deal an[...] would finally take ef[...] running of the group [...] family hands, became ins[...]

The plan now wit[...] ministry is the response [...] pressure, and the m[...] M. Jacques Petit. The gr[...] moves into is still the co[...] leading maker of [...] mackintoshes, towelling[...] house furnishings and[...] around 12 per cent. [...] national market in spu[...] woven fabrics.

But the haemorrha[...] incessant: a Frs.60m. [...] 1976, Frs.80m. in 197[...] probably as bad [...] come; those Frs.600m[...] in various debts[...] averaging a 32-hour[...] imminence of redund[...] the overwhelming [...] creditors.

It's M. Petit's bigg[...]

Job creation's real cos[...]

THE GOVERNMENT'S job preservation and creation subsidies have become more, rather than less, controversial the longer they have lasted. The recent modifications and extensions of the measures—partly in response to charges made by the EEC Commission of possible unfair competition — can be regarded in widely differing ways. They can be seen, by the Government, as providing a sensible means of offering employment or training opportunities, often at little additional cost compared with maintaining people in unemployment, while the alternative view is that "spoof" jobs are being created and an inefficient use of labour is being encouraged.

The economic implications of the measures are not easy to assess because of the variety of schemes and the many changes made to them, since the most important, the Temporary Employment Subsidy, was introduced in August 1975, at a time when unemployment was rising sharply. However, an attempt to assess the economic effects was made by the Organisation for Economic Co-operation and Development in its annual survey of the U.K. economy published in mid-March.

The starting-point is the number of workers actually being helped by the various employment and training measures—320,000 in mid-January this year. But this overstates the impact on the number of unemployed, partly because not all those benefiting from a scheme will register as unemployed. Taking account of this, the Department of Employment has estimated that as a rough rule-of-thumb about 250,000 people are now being kept off the register.

The OECD goes one stage further and calculates the displacement effect. This arises because, in subsidising a number of companies, some displacement of output and employment away from unsubsidised companies is entailed. On this basis and allowing for under-registration, the net effect on registered unemployment is just over 200,000, which is roughly equivalent to 1 per cent. of all employees.

The net employment effect of the measures has been growing, according to OECD, from 40,000 on average in 1975-76 to 144,000 in 1976-77 and to 204,000 in 1977-78.

The latest Government modifications to the measures are intended to increase the number of job or training places from 320,000 to over 400,000 by March 1979, so that the net employment effect should be raised perhaps to about 250,000.

But this only presents one side of the picture. There is, of course, the cost, which has been estimated at £900m. gross between 1975 and the termination of the existing schemes next year. This works out at roughly £1,100 per head, but after allowing for savings in social security payments and additional national insurance receipts the net cost to the Government may be only between one-third and a half of this amount. The revised measures will cost an estimated £300m. gross over the next two years.

This can be regarded as a relatively inexpensive way of keeping unemployment at a lower level than it would otherwise be. Indeed the Government's special measures appear to explain why the increase in the number of those out of work in the last couple of years has been smaller than many economists forecast.

Intervention

The schemes have also become much more than a temporary response to the depths of the recession.

The measures have gradually been transformed from a temporary to an apparently semi-permanent part of the Government's interventionist armoury. And it is this move which has created concern among both the U.K.'s Community partners about possible unfair competition and among economists about the distorting effect of such measures on the efficiency of the economy.

The OECD survey pointed out that "if the Temporary Employment Subsidy was successful in reducing unemplo[...] in maintaining equipme[...] manpower during the rec[...] its extension over a [...] period bears the risk o[...] forcing distortions in th[...] ductive sector by promot[...] inefficient use of labour [...] supporting inefficient fi[...] the expense of unsub[...] establishments."

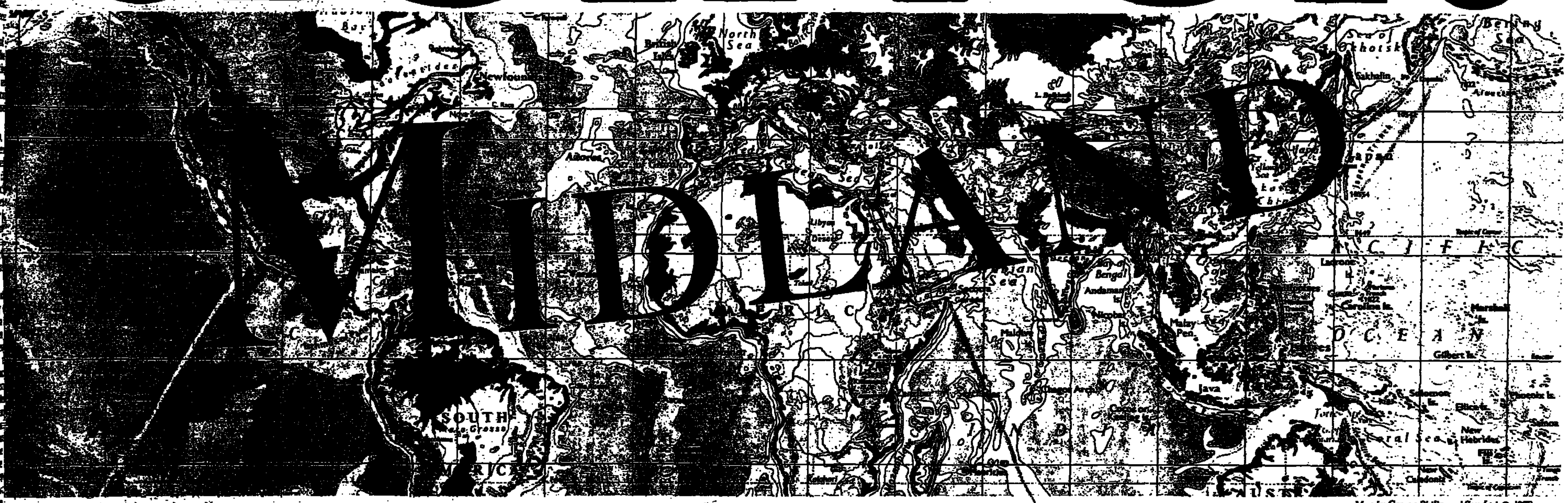
Part of the problem[...] controversy, has arisen [...] more than half of those [...] ing from TES are in th[...] ing, footwear and textile [...] The impact on these in[...] is considerable—well [...] tenth of textile employ[...] supported; in view of t[...] relative wages in this se[...] subsidy makes a big dif[...] to labour costs.

The objection from [...] EEC countries is that [...] centrating subsidies on [...] sectors the U.K. has be[...] serving jobs at home by [...]ing unemployment to [...] members of the Com[...] More fundamentally, it [...] argued that TES is [...] primarily to keep non-c[...]tive jobs in existence [...] any accompanying ef[...] create employment. T[...] can be viewed as mor[...] merely an attempt to ke[...] panies in existence and [...] in jobs during a recessio[...] these sectors, in particul[...]tiles, will have to contra[...] when the economy i[...] because of the competiti[...] developing countries. [...] is merely postponing [...] and could be called a n[...] disguised form of prote[...]

The response to thes[...]cisms, and to the EE[...]mission's suggested m[...]tions, have taken the ef[...] limiting the application [...] TES, the introduction of [...] time working subsidy and [...]tension of the small fir[...]ployment subsidy.

Peter Ri[...]

We deliver.



Map by George Philip and Son Ltd. © 1978.

Export finance. Competitively.

To make sure your company finds the most efficient way of using E.C.G.D. services–you really should talk with us. After all, we've been working with them for over 20 years.

For a prompt answer, contact Brian Shepherd, our executive in charge of Export Finance, London 606 9944 telex 888401. TEST US.

Midland Bank International Delivers.

Midland Bank Limited, International Division, 60 Gracechurch Street, London EC3P 3BN. Tel: 01-606 9944.

The tyranny of names

BY ANTHONY HARRIS

THE ROW between the Treasury and some of the spending Ministers, reported by my colleague Peter Riddell last week seems destined, like the White Paper on public expenditure earlier in the year, to provoke one of those yah-booh arguments *in which everyone is quite right.* Difficult definitions are fixed arbitrarily; subsequently politicians try to use them for obfuscation, or find that they have suddenly turned into constraints on policy. Wheher as loophole or constraint, they are usually nonsense.

The row in this case, you may remember, is about whether or not it is permissible to use the contingency reserve built into the expenditure plans for next year *for a number of no* doubt desirable objectives — bringing forward higher child benefit, raising pensions to a nice round political number, and so forth.

Now in one sense such steps are clearly permissible in themselves, whether they are sensible or not: these are the decisions we elect Governments to make. In another equally clear sense they are not permissible. A contingency reserve is what the name implies: an allowance for the unforeseen. To allocate it in advance to planned expenditure is a contradiction in terms.

Deception

Why should anyone want to do anything so inherently absurd? One purpose is deception: but it is in some senses an innocent deception. The deception lies in claiming that since the money has already been provided, expenditure plans are unchanged. Clearly dishonest. On the other hand, the estimate published with the Budget for the borrowing requirement for the year does attempt to be *realistic;* officials do try to make some distinction between paper plans and what is actually likely to happen. Since they have done this notably badly since cash limits came in, over-estimating the borrowing requirement by a basic £4bn. in the current year, *for example, it is even possible* that some spending plans like those proposed would render the estimates more accurate.

Further, if the decision were delayed until later in the year, when they operate, no one would complain about using the reserve.

Furthermore, you will see, if you look at the list, that the inclusion of child benefits looks a little odd: for these are simply the cash sums now paid out in place of child tax allowances, for the good reason that this method is more helpful to the poor. No one ever doubted the Chancellor's freedom to make decisions about tax allowances in his Budget; but now that we have a "negative tax" instead it counts as public ependiture, and no change in announced plans is permitted except through fudging. A definition has *become a fence cutting off a* corner of the Chancellor's own territory. He is being urged to cross it by misusing another definition.

The present Government is certainly not the first to be bamboozled by its own rules. The late Iain Macleod thought he was actually saving the taxpayer money when he abolished capital grants and paid out tax rebates instead, and could not be persuaded that it was not so.

Treasury officials can even confuse themselves. After trying three definitions of the burden of public spending—not one of which included the cost of tax rebates—the Treasury gave up the whole attempt, together with its apparatus of footnotes warning readers not to believe the *figures, in this year's White* Paper. Having redefined public spending to exclude market borrowing by nationalised industries, the Treasury re-redefined it to exclude Government borrowing to pay off the foreign currency debts incurred by those industries.

Things like the sale of BP shares appear and disappear like a jack-in-the-box. Small wonder that *no one* has been able to agree whether the figures which the Cabinet is now trying to fudge represent an increase of 2½ per cent. or 8 per cent, or, as the Treasury guesses, 4 per cent. (a figure which can only be derived from estimates not published in the White Paper at all).

This note may have suggested that *all the trouble is caused by* efforts to deceive: but at least half of it is caused by meaning well. Officials are always trying to pick a more economically meaningful place to draw various lines. The only result is that words and figures change their meanings from month to month.

Yet the comprehensive efforts which might be really helpful are still lacking—a presentation of revenue and expenditure for the coming year in the same document, using the same kind of funny money; a presentation of what the Americans call "tax expenditures" (allowances and *rebates) in the same column as* disbursements; and a proper measure of the tax burden, including other charges. Part of the muddle is just politics, which someone has defined as lying, hallowed by custom; but this is not a game in which the accountants should join.

Getting the picture right in the home

FILM and VIDEO

BY JOHN CHITTOCK

THERE IS at least one still camera in 60 per cent. of all households in Britain. There are some 19m. television sets, and worldwide a total of nearly 400m. in use. While 8mm. home *movie cameras have competed* to join these impressive statistics, the race may soon be on to sell video cameras to the *domestic market*—no doubt at the expense of the 8mm. cameras. The new VHS videocassette recorders from JVC (Japan Victor Company) are now in British shops—and probably will be marketed in Germany by Saba, in France by Thomson-Brandt, and already appear in the U.S. under various well-known labels.

In Japan, JVC has already announced a low cost colour video camera at Y251,800 (about £580) to go with the recorder, and this may become available in the U.K. soon. Next week Sony will be launching in London their rival Betamax system, which is two months earlier than expected.

The war is hotting up to bring this high technology into the home alongside the hi-fi. But meanwhile, most people are still incapable of adjusting their television set correctly and not many more are very proficient at getting the best out of a still camera. It *is* time to put the picture in focus.

There are four main factors that influence the technical and aesthetic success of a recorded picture—whether obtained in a still camera, on a television set or through the latest and most expensive of video cameras: picture density and contrast, sharpness, lighting on the subject and composition of the picture. *To these might be added* fidelity of colour, but this is frequently conditioned by some if not all of the other elements.

Picture density and contrast in a still photographic camera is initially governed by the exposure—that is, the sum effect *of shutter speed, lens aperture* setting, subject brightness and film speed. Each or all can be varied provided the sum result *produces on the film the correct* amount of light needed to yield a satisfactory image in the emulsion of the particular film in use. *Over-exposure will* cause delicate highlight detail to be lost in the final picture, under-exposure will lead to *blocked-up shadows;* but if the subject has no extremes of shadows and highlights—such as a misty October scene on Lake Lucerne—there will be more latitude in the exposure and in consequence more room for error.

On a domestic television receiver, similar effects are observable if the brightness or brilliance control is turned up or down too far. But in order to judge this accurately on a colour receiver, the *colour* should be turned down first to yield a black-and-white picture.

The TV receiver usually incorporates an additional control not available on the still camera: contrast. This effectively compresses or extends the tonal range, either crowding all the shadows together and the highlights together—yielding a very contrasty picture; or extending them to produce a very flat and greyish picture. The correct setting for contrast is best made (again with a black-and-white picture) when the test card is being transmitted; invariably this card incorporates a grey scale, graduated in steps from white to black—and at the correct contrast setting each step will be clearly different in tone from those adjacent to it.

Sharpness of the picture begins, of course, at the camera end with correct focusing. The depth of field—that is, the *range that will be sharp either* side of the distance focused upon—obviously affects this. Smaller aperture settings on *the lens yield a greater depth* of field; but the extent of this range varies according to the precise distance at which the lens is focused; there is an optimum setting (the hyperfocal distance) at which the greatest range will be obtained. Shorter focal length lenses also provide a greater depth of field.

Sharpness is also affected by movement, either in front of the camera, inside it or in the hands of the operator. If the subject is moving, this will yield some degree of blur on the image—greater if the movement is fast, or the shutter speed on a still camera is slow. If the camera is hand held, this will almost certainly introduce shake and some loss of sharpness in the image; surprisingly, a hand held still camera needs a shutter speed of 1/100th second before discernible camera shake is eliminated. It also helps to ensure a firm and stable stance before tripping the shutter and to hold your breath at the *moment of exposure.*

On television receivers, not much can be done by the viewer to improve sharpness. Again the *test card should* give some clue to inherent sharpness, especially those test cards (as in U.K.) which incorporate resolu*tion charts—sets of lines* at decreasing intervals of space and thickness which will fuse together on a picture with poor resolution.

The lighting on the subject has over-riding influences on the end result. There is not much *that TV viewers can do about it,* but do-it-yourself cameramen pay too little attention to this aspect of image recording. *Three-dimensional objects only* appear that way if the light falling on them produces shadows and gradations of brightness—which, of course, reveal the shape of the object. Frontal lighting or very diffused lighting tends to destroy shape in the subject (usually but not always a bad thing); lighting from the side and rear, and point source lighting, enhances the shape.

Finally, the picture coheres *or disintegrates—teases or bores* —in the composition. It begins with getting the viewfinder frame straight, which many people fail to do; in placing the main point of interest at a place within the frame that is comfortably balanced in relation to the whole; and in determining whether there is or should be a main point of interest anyway. Is it a portrait or is the figure standing there as embellishment to the *landscape?*

In the case of movies, film or video, the same principles extend even further because the camera is potentially mobile during the shot. Video and movie cameramen too often move the camera during a shot when it is not necessary. Camera movement should have a rationale — unconsciously drawing the eye of the viewer to new elements which are relevant. Generally it is better not to move the camera at all unless for a very good reason.

Attention to these principles may produce better pictures. At least it may yield a greater consciousness of the criteria at stake when professionals are not employed.

Alaskan Prince has class

RACING

BY DOMINIC WIGAN

THREE FLAT meetings and one under National Hunt rules combine to make to-day one of racing's busiest midweek afternoons of the spring.

Although it is often difficult to find jumping winners at this time of the year, with many horses at the winter game coming "off the boil" after a busy campaign, Flat winners are usually less difficult to spot, particularly *if* the market is respected in the first few weeks of the season.

Araphos and Alaskan Prince are two Flat runners who should justify good support to-day. The more interesting of this pair, with an eye to the future, is the Barry Hills-trained Araphos, *another promising three-year-old* to sport the emerald green, royal blue and white colours of Mr. Robert Sangster, so successfully carried by such horses as Alleged *last season.*

A respectable eighth of 19 behind Tarzan in a maiden event at Newmarket in October, this chesnut Gyr colt, whose dam Athenia II is a half-sister to both Sunny Way and Crepello's dam Crepuscule, is thought to have come on tremendously over the close season.

If so, he should have little difficulty in accounting for Lester Piggott's mount, Pargold, and Edward Hide's mount, Zoro, in Haydock's Nat Flatman Stakes.

Alaskan Prince, a Bill Marshall-trained Prince Regent colt, goes for the Ayr Spring Handicap on Scotland's premier track.

This tough course specialist, whose best effort *last season* came when landing a £3,000 event at the expense of Smart Set on this track, should have too much class for another course winner, Cutting Comment, to whom he concedes 6 lbs.

The Tote yesterday reported good backing for three Luca *Cumani-trained fillies in the* One Thousand Guineas.

After laying several good bets to supporters of the Ascot One *Thousand Guineas* Trial winner, Spring in Deep Sea, the company laid both Lily Marlene and Modella each way. Cherry Hinton remains a 5-2 favourite with them—a price which appears to have few takers.

HAYDOCK

2.00—Salbob
2.30—French Warrior
3.00—Christmas Visit
3.30—Ackabarrow
4.00—Araphos**
4.30—Inca Warrior

AYR

3.30—Alaskan Prince***
5.00—Persepolis

LEICESTER

2.15—Sand Dancer
2.45—Speedway Princess
3.15—Hills Treble*
3.45—Little Nugget
4.15—Northern Dynasty
4.45—Elfinaria

SANDOWN

3.20—Crofter
3.50—Ten Up

Judgment for McAlpine

SIR ROBERT McALPINE and Partners, the building company which built a £264,000 stand at *Fulham Football Club,* has been awarded judgment against the club in a High Court action, it was disclosed in London yesterday.

The company obtained an order for £273,857, the total amount of its debt against the club, plus 9 per cent. interest—dating back *to when the Sir Eric Miller stand* was completed in 1972—amounting to £108,858.

Mr. Brian Dalton, secretary of Fulham, said fresh talks were taking place between him and Mr. Malcolm McAlpine to see how best this matter can be resolved to the satisfaction of both sides.

"This would be either a discount cash payment or staggered payment over a number of years."

At one stage, Fulham offered £120,000 in full and final settlement of its five-year debt, *but this was rejected.*

McAlpine said: "We obtained judgment in this but we are not prepared to comment further at present."

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University. 12.45 p.m. News. 1.00 Pebble Mill. *1.45 Ragtime. 3.20 Pobol y Cwm.* 3.53 Regional News for England (except London). 3.55 Play School. †4.20 Champion the Wonder Horse. 4.45 Take Hart with Tony Hart. 5.05 John Craven's Newsround. 5.10 Stopwatch. 5.35 Ludwig.

5.40 News (London and South-East only).

5.55 Nationwide.
6.20 Nationwide
6.50 Young Musician of the Year.
7.20 The Rockford Files.
8.10 The Standard.
9.00 News.
9.25 Pennies from Heaven.
10.45 *Tonight: Who Killed* Martin Luther King.
11.35 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—5.55-6.20 p.m. Wales To-day. 6.50 Heddiw. 7.10 The Liver Birds. 7.40-8.10 Young Musician of the Year. 11.35 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School (as BBC 1 3.55 p.m.).
2.15 p.m. Other People's Children.
2.30 Having a Baby.
4.55 Open University.
7.00 News on 2 headlines.
7.05 *On the Rocks.*
7.30 Newsday.
8.15 Tao: The Way and its Power: 2,000 years of Taoism in China.
9.00 Pebble Mill Showcase.
9.30 The Man Alive Report, the story behind drug abuse in Britain.
10.20 Poems and Pints.
10.45 Late News on 2.
10.55 The Old Grey Whistle Test.
11.40-11.50 Closedown: Michael Kilgarriff reads "Small War" by Leslie Norris.

LONDON

9.30 a.m. Beany and Cecil Cartoons. 9.40 Anna. 10.05 To the Wild Country. 10.55 Animated Classics. 11.45 Oscar. 12.00 Paper Play. 12.10 p.m. Daisy, Daisy. 12.30 A Fair Chance. 1.00 News. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Sam. 3.20 Portrait of a Family. 4.20 Runaround. 4.45 Magpie. 5.10 Sportsscene.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 The Six Million Dollar Man.
8.00 Rising Damp.
8.30 Armchair Thriller.
9.00 Wilde Alliance.
10.00 News.
10.30 Are We Really Going to be Rich?
11.30 Man and Woman.
12.00 The Andy Williams Show.
12.30 a.m. Close: Heather Emmanuel reads techings *and sayings of Budda.*

All IBA Regions as London except at the following times:—

ANGLIA

9.30 a.m. Canada Five Portraits. 10.25 Manfred. 10.40 Hanna Barbera Special. 11.30 Winning with Wilkie. 1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Emmerdale Farm. 6.00 About Anglia. 7.00 Challenge of the Sexes. 7.30 Get Some In. 11.30 Quincy. 12.30 a.m. Anthology.

ATV

9.40 a.m. Gardening Today Special. †10.30 Holiday Film Fun: "Life is a Circus," starring The Crazy Gang. 11.50 Professor Balthazar. 1.20 p.m. ATV Newsdesk. 5.15 Laverne and Shirley. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 Cuckoo Waltz. 11.30 Gibbsville.

BORDER

9.35 a.m. Clue Club. 10.00 *Film Feature:* "Tons of Trouble." 11.20 Westway. 11.45 Oscar. †1.20 p.m. Border News. 2.00 Houseparty. 5.15 Out of Town. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 7.30 Get Some In. 11.30 Baretta. †12.25 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 5.15 The Flintstones. 6.00 Report at Six. 7.00 Treasure Hunt. 7.30 Charlie's Angels. 10.28 Channel Late News. 11.30 The Streets of San Francisco. 12.25 a.m. Commentaires et Previsions *Meteorologiques.*

GRAMPIAN

9.55 a.m. First Thing. †10.00 Feature Film: "Abbott and Costello in the Foreign Legion." 11.20 Westway. 11.45 *Oscar and the Great Wooferoo. 1.20 p.m.* Grampian News Headlines. 5.15 Indoor League. 6.00 Grampian Today. 6.05 Out of Town. 7.00 Emmergency. 11.30 Reflections. 11.35 The Streets of San Francisco.

GRANADA

9.30 a.m. Mooch. 10.15 Harriet at the Fete. 10.40 The Stationary Ark. 11.05 The Beatles. †11.25 Mister Ed. 11.50 A Handful of Songs. 1.20 p.m. This Is Your Right. 5.10 This is Your Right (repeat of the lunchtime programme). *5.15* Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 The Bionic Woman. 11.30 Homicide.

HTV

9.30 a.m. Sesame Street. 10.30 Mr. Bug Goes to Town. 11.45 Oscar the Great Wooferoo. 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 Popeye. 5.20 Crossroads. 6.00 Report West. 6.15 Report *Wales. 6.30 Emmerdale Farm. 7.00 The* Bionic Woman. 11.30 Police Woman.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 4.20 Miri Mawr. 4.30-4.45 Seren Wib. 6.00-6.15 Y Dydd. 10.30 Bywyd. 11.15 World in Action. 11.45-12.30 a.m. Celebrity Squares.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

9.45 a.m. "Tarzan Goes to India." starring Jock Mahoney. 11.20 Westway. 11.45 Oscar and the Great Wooferoo. 1.25 p.m. News and Road Report. 5.15 *Pipet and Friends.* 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 7.30 Get Some In. 11.30 Late Call. 11.35 Within These Walls.

SOUTHERN

9.35 a.m. Stationary Ark. 10.00 "The Gentle Giant." starring Dennis Weaver. 11.30 Winning with Wilkie. 1.20 p.m. Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day including Southsport. 7.00 Emmerdale Farm. 7.30 Get Some In. 11.30 Southern News Extra. 11.40 Drive In. 12.10 a.m. Police Surgeon.

TYNE TEES

9.25 a.m. The Good Word followed by North East News Headlines. 9.30 Oscar Peterson Presents. †9.50 "The Wrong Arm of the Law." starring Peter Sellers. 11.20 Westway. 11.45 Oscar and the *Great Wooferoo.* 1.20 *p.m.* North East News and Lookaround. 5.15 Friends of Man. 6.00 Northern Life. 7.00 Emmerdale Farm. 7.30 Get Some In. 11.30 Police Surgeon. 12.00 Epilogue.

ULSTER

10.10 a.m. Tree Top Tales. 10.20 Sesame Street. 11.20 Westway. 11.45 Oscar. 1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Friends of Man. 6.00 Ulster Television News. 6.05 Crossroads. *6.30 Reports. 7.00 Emmerdale Farm.* 7.30 Get Some In. 11.30 Pro-Celebrity Snooker. 12.15 a.m. Bedtime.

WESTWARD

10.00 a.m. Look and See. †10.05 Feature Film: "Good Morning Boys." starring Will Hay. 11.20 Westway. 11.45 Oscar. 12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 The Flintstones. 6.00 Westward Diary. 7.00 Treasure Hunt. 7.30 Charlie's *Angels.* 10.28 Westward Late News. *11.30* The Streets of San Francisco. 12.25 a.m. Faith for Life.

YORKSHIRE

9.30 a.m. Canada—Five Portraits. 10.25 The Undersea Adventures of Captain Nemo. 10.30 Showcase. 11.00 The Wells of Montrose. 11.30 The Electric Theatre Show. 1.20 p.m. Calendar News. 5.15 The Mary Tyler Moore Show. 6.00 Calendar (Emley Moor and Belmont edi*tions). 7.00 Emmerdale Farm.* 7.30 Get Some In. 11.30 Drive-In.

RADIO 1 — 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Dave Lee Travis including 5.30 Newsbeat. 7.00 Folk 78 (S) (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2—5.00 a.m. With Radio 2 including 1.55 p.m. Good Listening. 10.00 With Radio 1. 12.00-2.02 a.m. With Radio 2.

RADIO 2 — 1,500m and VHF

5.00 a.m. News Summary. 5.02 Ray Moore with The Early Show (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners Walk. 12.30 *Pete Murray's Open House* (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Folk 78 (S). 7.30 *On the Third Beat* (S). 8.02 Hubert Gregg at The London Theatre. 9.02 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 Three in a Row. 10.30 It's a Funny Business says Sandy Powell. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 a.m. News Summary.

RADIO 3 — 464m, Stereo & VHF

†6.55 a.m. Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Nielsen (S). 10.00 Holiday Special (S). 10.20 Plainsong and the Rise of European Music (S). 11.00 Cello Recital (S). 11.35 Brahms Songs (S). 12.15 p.m. Midday Concert, part 1: Haydn, Schmidt. 1.00 News. 1.05 The Arts Worldwide. 1.20 Midday Concert, part 2: Sibelius. 2.00 Lindsay String Quartet, part 1: Haydn, Bartok (S). 2.40 Interval Reading. 2.50 String Quartet, part 2: Mozart. 3.30 A Little Light Music (S). 4.30 Come Live With Me and Be My Love (S). 5.15 Jazz Today (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 *Lifelines. 7.30 Rudolf Serkin Plays Beet*hoven Sonatas, concert, part 1 (S). 8.10 Finding a Voice. 8.25 Concert, part 2 (S). 9.20 The Ring and the Book. 10.05 Julian Bream Plays Villa-Lobos (S). 10.30 Thinking for the Body Politic (special seminar chaired by Anthony King). 11.30 News. 11.35-11.40 And Tonight's Schubert Song on record.

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

‡ Medium Wave only

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.05 On Location. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Profile. 12.00 News. 12.02 p.m. You and Yours. 12.20 Desert Island Discs. ‡12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.10 Questions to the Prime Minister 'live' from the House of Commons. 3.35 Money Box. 4.00 News. 4.05 Gardeners' Question Time Hertfordshire. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. ‡5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 Just a *Minute* (S). 7.00 News. 7.05 The Archers. 7.20 Time for Verse. 7.30 Rudolf Serkin Plays Beethoven Sonatas (S) (as Radio 3). 9.20 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Not Now, I'm Listening Again. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

VHF—6.15-8.35 a.m. With Medium Wave. 8.35 News Headlines. 8.45 The Glums, part 1. 9.00-3.05 p.m. With Medium Wave. 3.05 Hermsprong (S). 4.00-Close With Medium Wave.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 News Extra. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as *11.03* a.m.). 8.30 *All That Jazz.* 10.03 Late Night London. 12.00 As Radio 2. 12.05 a.m. Question Time. 1.00-Close As Radio 2.

London Broadcasting

261m and 97.3 VHF

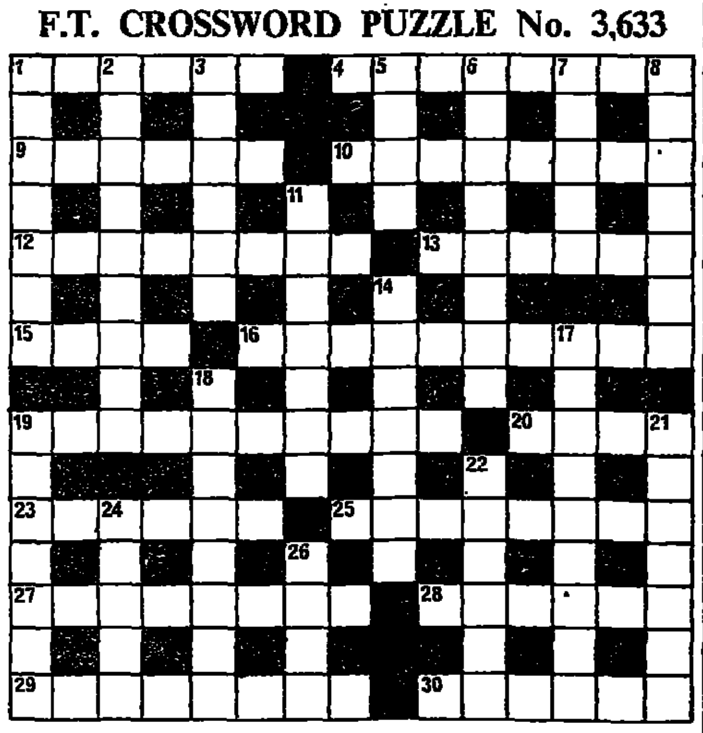
5.00 a.m. Morning Music. 6.00 A.M.: non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'Clock Call. 8.00 After 8—with Ian *Gilchrist. 9.00 Nightline. 1.00-5.00 a.m.* Night-Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 p.m. Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Your Mother Wouldn't Like It with Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. *Duncan Johnson's Night Flight* (S).

F.T. CROSSWORD PUZZLE No. 3,633



ACROSS

1 Well-built public transport surrounded by rubbish (6)
4 Using abusive language about wickedness in arena (8)
9 Risk European mark and wrath (6)
10 Change clubs for diamonds? (8)
12 Money just for fine textile fibre (8)
13 Perish with ringleader in bar (6)
15 Metal in the first place (4)
16 Painter with eastern title left to enrol (10)
19 Find out again that communist is taking shelter (10)
20 Emend unusual diet (4)
23 Cloak for confused old chap (6)
25 One who transfers like Italian gentleman (8)
27 To make possible about six is to be desired (8)
28 Dry river is free from danger (6)
29 Cloth worker of rank (8)
30 Give evidence at trial (6)

DOWN

1 Root caught in tyre (7)
2 Where musicians play Bach initially and suffer (9)
3 My tea's hot, or so it could appear (6)
5 Lug left for nobleman (4)
6 Pub at cathedral city? Naturally! (8)
7 Imply that it may require fine deviation to the right (5)
8 Chap admitting member in clothing (7)
11 Beam when teamleader gets price of redemption (7)
14 I'm taking people south-east and it's great (7)
17 Contract in false-teeth (9)
18 Escape without notice in adventure (8)
19 Change clothes to compensate (7)
21 Bombastic and explosive about impulse (7)
22 Undress and plunge one way (6)
24 Is nothing right for a sweetheart? (5)
26 Family left in prison (4)

Solution to Puzzle No. 3,632

هكذا من الأصل

ENTERTAINMENT GUIDE

C.C.—These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET

COLISEUM. Credit cards 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA Tomor and Fri 7.00 Force of Destiny: Wed 7.00 Juliette: Thurs and Sat 7.30 [illegible]

THEATRES

HER MAJESTY'S. CC. 01-930 6606. Evenings 8.00. Mats. Wed. and Sat. 3.00. BRUCE FORSYTH in LESLIE BRICUSSE and ANTHONY NEWLEY'S TRAVELLING MUSIC SHOW with Derek Griffiths Directed by BURT SHEVELOVE [illegible]

THEATRES

SHAW THEATRE. 01-388 [illegible] CHICKEN SOUP WITH BARLEY by Arnold Wesker Opens Tonight 7.00. Sub. Evgs.

STRAND. 01-836 2660. Evenings [illegible] Mat. Thurs. 3.00. Sats. 5.30 and [illegible] NO SEX PLEASE— [illegible]

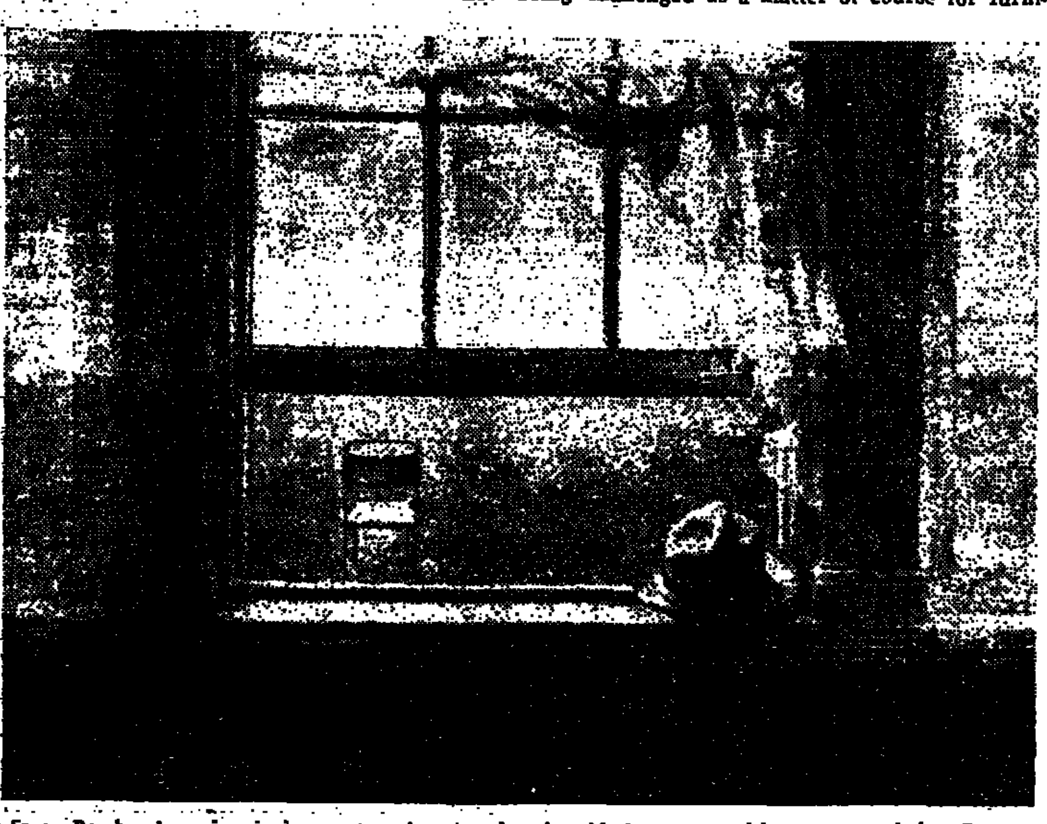
Fine Art

Modern patrons wanted

by WILLIAM PACKER

If the crisis in the visual arts that several of my colleagues fear exists—indeed the ICA devoted a week-end of debate to the subject a month or so ago—has any substance at all, my own view is that it consists, not in the practice and achievement of those arts, but in the manner of their support and patronage. Artists have always lived, if not dangerously, at least precariously, their livelihood hanging upon the vagaries of taste, historical accident and the arbitrary shifts of reputation. The problem for the serious artist was ever to arbitrate between the demands of his personal vision and integrity and those of the market: and the list of notable casualties of the dilemma may begin with Rembrandt, Courbet and Van Gogh; and Leonardo, Michelangelo and Veronese all had their *moments with Dukes, Popes and* Inquisition. It is easy in our own time to condemn the poor artist for the wilful obscurity of his work; but to ask him to pander to the ignorant and generally low visual sensibility of our society, in the name of relevance, accessibility and social responsibility, is no answer. If we want Art, and Modern Art after all, is the due we owe to the future for the Art of the past that we now enjoy, we must trust the artist and give him grace to do what he sees as right. It is the old argument: judgment, choice, discrimination and criticism are our privilege, but not prescription.

It happens, quite contrary to popular prejudice, that our Art Colleges continue to produce graduates in all fields of art and design of remarkably high quality. But they are given little scope and less honour here, and our young designers are forced too often to look for opportunities and success in industry abroad: our aspiring artists, on the other hand, are expected to teach, that odd English expedient whereby the subsidy removes the artist from the very practice it should sustain. A day or two a week of part-time teaching can be stimulating and rewarding, while the presence within the colleges of practising artists is acknowledged as an essential feature of the system: but unfortunately such a stint no longer brings in a living wage, and four or five days of part-time teaching is nonsensical. Besides, these posts no longer turn over at the rate they did in more confident times, and the younger generation of artists must shift for itself as best it can. Rents are high, wood, canvas and paint dreadfully expensive, *metal and studio equipment* often unthinkably so; yet, amazingly, the work goes on, and on incomes often well below the notional plimsoll line, with tax inspectors determined still to mulct any awards and grants that the Arts Council and the Regional Arts Associations are able to disburse.



Sara Rossberg's prizewinning entry in the Interior Motives competition sponsored by Crown Wallcoverings and the Contemporary Art Society

Support is necessary, and to some extent forthcoming: the institutions do their best with the funds available, and grants, fellowships and awards increase *in number year by year.* But nothing is better for the artist than that his work should be bought: the disinterested philanthropist is one thing, the collector quite another. The private patron, however, is being driven to extinction, for all that the personal relationship between himself and his artist is the natural, obvious, indeed ideal circumstance. His very right to the private ownership of works of art is now being challenged by well-meaning egalitarian orthodoxy: *the sums involved* are necessarily large when taken from taxable income, and a wealth tax, should it come, must discourage the early purchase of the work of the young and promising, penalising discrimination and the good eye. The fact remains that there are pitifully few major English patrons of modern English Art.

There are our national collections, of course, but their funds are limited and their walls finite: which leaves us with industry *and the great commercial enter*prises. Here the situation could be very different, where even a modest but general intervention would achieve a revolution. Consider the sums: a few hundred pounds will often secure a major work by an established artist in mid-career, and even a thousand or more seems modest enough, though beyond the private pocket, *when we think of the* sums set aside by corporations as a matter of course for furniture, fittings and incidental expenditure, *to be written off* against tax. I read the other day that £200 a week was not unreasonable a figure for flowers and house plants alone. Were only 10 companies to devote such money to the purchase of works of art, they would make an enormous difference, something to the tune of £100,000 a year.

Good work is already being done by *imaginative* and enterprising sponsors, but usually in the field of competitions and prizes, nothing on the scale of the *Peter Stuyvesant Foundation's* burst of collecting in the '60s: which is not to belittle their efforts. The John Moores Liverpool Exhibition has for 20 years put money directly into artists' pockets every two years, the prize money in 1976 amounting to £10,000, with a first prize of £4,000. Last year Tolly Cobbold of Ipswich instituted its own *biennial, an open exhibition held* in association with Eastern Arts that put up over £5,000 in prizes, and £1,500 in purchase money: and this year the same two parties have set up a competition for three photographic commissions, each worth £1,000. And Winsor and Newton has established an award for art students in their final year, with regional heats and the winners moving on to the final in London. Crown Wallcoverings, too, has sponsored a competition for students, the £1,500 in prizes being adjudicated by the Contemporary Art Society, which was also given £6,000 to spend on the company's behalf. Those purchases, with the prize-winning works and the best of the submission, are on show at Reed House in *Piccadilly* until April 6.

Lately I was personally involved in a similar project, being asked by Elf Oil to be one of the judges of its competition for artists under 30 from the north west of England. One thousand *pounds of purchase money* was spent on works to hang in the company's new offices in Altrincham; and they will be shown, with the best of the submission, at the Royal Exchange in Manchester during July. This is Elf's first venture into the *field of art sponsorship*, one that I am sure will be followed up.

This catalogue is not exhaustive: Industrial Sponsors for example, with which I am also connected, has made it its job for some years past to persuade businesses to look at Art, and show it on their own ground; and exhibitions have been held within the last year or so at Finance for Industry, Commercial Union, the Design Centre and at the new Astoria Theatre. Next month the Royal Academy opens its Business Art Galleries, about which more another time.

But I *shall* finish with an example of sponsorship that is as imaginative as it is unexpected, for the British Museum *is not* naturally *associated with modern painting.* Now, however, it is to buy paintings over the next two or three years through its advertising budget by the excellent ploy of commissioning from certain artists works that may be adapted to use as posters. Each artist is to be asked to choose one of the major departments of the Museum as his theme, some 12 in all, the choice naturally narrowing as the scheme runs its course. The first artist, Lawrence Preece, with the whole place at his feet, chose the Egyptian Galleries; and his remarkable painting is due to grace our walls and buses any day now.

Shaw

Chicken Soup with Barley

by B. A. YOUNG

Martin Friend, Adrienne Posta and Barbara Young

Sarah Kahn and Harry Kahn, the heads of the *family* whose fortunes Arnold Wesker follows in his Trilogy, meet defeat in different ways. Weak, idle, shifty Harry sinks willingly into his final decrepitude, not caring (as Sarah says) to live and not caring to die. Sarah, who has tried all his life to nag him into manhood, remains unchanged over the 20 years' span of the play, a convinced Communist with no knowledge of economics but a sentimental belief that Communism — Socialism, she calls it—will bring universal happiness at once, and a devoted mother who, against any evidence to the contrary, is sure of the *sterling* values of her children. They are splendidly played in their different ways by Barbara Young, erect, dictatorial, certain of the *socially* therapeutic value of cups of tea, and Martin Friend, capable even after wto *strokes* of hysterical bad temper if thwarted, but not capable of controlling his bowels.

Around them, their society disintegrates. Monty, most aggressive of the anti-Fascists in 1936, runs a greengrocers in 1955; Dave, the only one to fight in Spain, is disillusioned by Salinism and builds hand-made furniture in Norfolk, taking Sarah's daughter Ada with him. Young Ronnie, who at school was to be the great Socialist novelist, becomes an unhappy *chef* in Paris, disillusioned not only with the Party but with life.

Wesker charts this progress with masterly understanding. His characters are portrayed, not necessarily in prolific detail, but in just as much well-chosen detail to make them live as part of the landscape of East End society. Life in the Kahns' home involves one as if one were a long-standing part of it, whether in the exciting, hopeful days in 1936, when the revolution seems at hand and the terrible *sound* of militant politics grates through the door, or 20 years later when despair is kept at bay by Sarah's strength, her naive creed sustaining her as once a bowl of chicken soup with barley sustained her sick grl.

The musical speech of the first-generation-English East Enders is handled with great skill, its intrinsic humour never self-conscious or intrusive, though I did feel that some of the comrades were using vowel sounds that would have seemed a bit posh to their mates.

The production, under Anthony Cornish, is a good one, inhabited by a company easy to believe in. Perhaps Frank Baker *looks a good deal too old* to be a 16-year-old schoolboy in Act Two (though it's fascinating to watch him in the mannerisms that, when *Roots* comes next month, we shall see copied by Beatie Bryant); in the final act, his flamboyant ambitions discarded, he moved me more with his simple distress than with his extemporised poetry ten years before. As his sister Ada, Adrienne Posta is truer to life as the gamine activist in her teens than later as the immensely smart political drop-out complaining of her fellow-workers' lipstick.

Aid for community arts

The Arts Council is to give a further £40,000 to community arts projects in the coming year. This is in addition to the £1.3m. already allocated for arts centres and community projects in 1978-1979, compared with less than £1m. in 1977-78.

The Secretary-General of the Arts Council, Mr. Roy Shaw, said: "This money is intended to strengthen the hand of regional associations in assuming responsibility for community arts in their area. They have already been working hard to secure local authority participation in this local development and we would not wish to see their work frustrated by lack of adequate funds."

The Art Council's intention is that responsibility for support and assessment of community arts should be devolved to the Regional Arts Associations. The first stage in this devolution programme has been to agree to hand over full responsibility to four of the regions, North West Arts, Northern Arts, West Midlands and Merseyside.

The additional money will be divided between regions to which responsibility has already been devolved and other regions where there is Local Authority participation to which the Arts Council is eager to respond.

For 23 performances only

Opening April 16, following his success at the Riverside Studios, Hammersmith, Alec McCowen will narrate from *memory the whole of St. Mark's* Gospel in the Authorised Version. This will be for 23 performances only.

Almost Free

Scissors

A Jewish family in Stoke Newington are setting off to tea with Auntie Ada when a black-garbed boy with curls and skull-cap collapses on their doorstep. Covered in blood, he has come from a right-wing political meeting which has severely tested his pacifist ideals and innocent dignity. He represents another element of the Jewish question to be knocked around in Michelene Wandor's schematically conventional lunchtime play. Also boiling is a family difference between Max the pattern-cutter and his socialist daughter Norma, who has "married out" and now has a ten-year-old son, a self-declared atheist with no intention of enduring his Barmitzvah.

Attitudes, rather than ideas, are investigated in a pleasantly superficial manner, although Miss Wandor is not as prodigal with successful comic banter as she is with dramatic light and shade. The other visitor to the house is an old friend of Max's who has made good in America and has flown in on a hijacked aeroplane. The terrorists are neither disaffected Europeans nor frustrated Palestinians, but a pair of Indian brothers protesting over the imminent deportation of their pregnant sister.

This final revelation proves too much for the young Israeli to bear for some reason, and he jerks himself out of a catatonic stupor by taking up Max's cutting scissors and removing his curls. The police are at the door to ask questions about the meeting. Norma's plea for a constructive political reaction on his part falls on stony ground. Nicholas Barter's production *contains a fine blustery per*formance by Jack Lynn as the tetchy paterfamilias while the others—Allan Corduner, Neil Gibson, Lesley Joseph and Barbara Lott—do well to keep things going between the stronger moments.

MICHAEL COVENEY

Festival Hall

Perlman and Ashkenazy

After their much-praised recording of all the Beethoven sonatas for violin and piano, Itzhak Perlman and Vladimir Ashkenazy are repeating the cycle on the South Bank. They began last night with two of the little op.12 sonatas and the "Kreutzer," with the rest to come on the next two Mondays.

The studied sympathy of their duo-playing does not disguise their distinct musical personalities. Perlman is all serenity, long-breathed lines, finely even tone; if he experiments it is only *is private, and the public results* are self-effacingly secure. Were it not for the striking sweetness and delicacy of the sound he makes the performer would disappear behind the music. Ashkenazy's finesses are usually more overt: he conveys a delighted surprise at coming upon this or that passage, and turns it to a new angle as if to view it better. In the D major Sonata of op. 12 last night he was unwontedly cautious, as if uncertain at that stage how much he could do without overbalancing the violin—or perhaps the music, which is not the strongest Beethoven, simply prompted nothing more. Even the Rondo was only moderately sprightly.

Both players warmed more to the third of the op. 12 sonatas, the one in E-flat. Ashkenazy matched Perlman's poise in the Adagio with a wonderfully liquid bass-line which spoke tenderly in the softest possible undertone. He was tempted to scamper ahead in the Rondo; *the semiquavers took possession* of his fingers, leaving the violin to sound *unfairly* tame and sturdy.

It was left to the "Kreutzer" Sonata to draw on their full powers. The outer movements were brilliantly fleet, but not so much urgent, as simply mercurial: showers of silver broken by brief, intimate reflections—never heavily pondered, but stated quietly. The centre of gravity was fixed unambiguously in the great Andante con Variazioni, which trilled and sang more and more richly, each variation seeming to take up the threads of the last without an intervening breath. The movement took on a sustained radiance, and the darker suggestions of the music became luminous in it. Not the only possible view of the Sonata, but a takingly lovely one, and realised with effortless grace.

DAVID MURRAY

Albert Hall

Michel Legrand

The "Musical World" of Michel Legrand is Franco-American, and it is as stable, as expensive and as resistant to immigration as Switzerland. Two dozen years ago, M. Legrand arranged a recorded medley called "I love Paris," with super-professional resourcefulness and charm; film contracts followed, and the young Nadia Boulanger pupil speedily acquired a fixed, highly marketable manner. His music is piped through airliners the world over, and when his "Musical World" touched down in the Albert Hall on Sunday night it swarmed with enthusiastic trippers. The London Symphony was on hand to purvey souvenirs from films like *Ice Station Zebra* and *The Three Musketeers* — forgettable and heavily over-scored: Legrand's inventiveness has not kept pace with his success—and to assist the composer and the excellent Elaine Delmar in reproducing various versions of The Legrand Sung.

There was also Ivry Gitlis, a superbly individual violinist who has been unheard *in Britain for* far too many years. For him Legrand has written a new Violin Concerto in three continuous movements: first rhapsodic and dissonant, with violent orchestral punctuation, then modally ruminative, and finally scherzoid with jazz-backed breaks for Gitlis to Grappelli-ise in. It struck me as probably too rebarbative for the pop milieu, and too stiff and underdeveloped for a straight concert. All the same, Legrand has taken affectionate care to match *the Gitlis style* and even the Gitlis personality with suitable material: the special tautness and pungency of his playing are neatly catered for, though only on the scale of hors d'oeuvres.

The rest consisted of the well-tested routines. The marriage of *entre deux guerres* French pop and American big-band beat has produced plenty of offspring, which resemble each other so strongly that Legrand sensibly trotted out only a very few of the famous tunes for this occasion. They are memorable tunes, and those we heard were enough to recall all the others. But does Legrand still do his own instrumentation? The sound has become standardised at early-50's Broadway, with the tinkling *addition of* amplified piano treble. It seems that Legrand's early all-singing film, *Umbrellas of Cherbourg*, is about to have a Broadway transmogrification: he and Miss Delmar belted out the duet from *It in the new* American version, waving their arms passionately and clutching their microphones to their teeth. Grand opera has nothing sillier to show.

DAVID MURRAY

Air Gallery, WC2

Campiello Band

After some lighter-hearted forays into crypts and foyers at the National Theatre, the Serpentine Gallery and St. John's, Smith Square, Michael Nyman's Campiello Band has settled down into the role originally conceived for it as a "serious" (though by no means humourless) experimental group. The ensemble still plays the same bizarre collection of instruments: but the camp in Campiello has cooled; the more excruciating *Verdi arrangements* have been discarded; and even the players of the non-chromatic instruments like curtals, shawm and bombard, as well as those of the tricky rebecs and lyra de braccio, have been persuaded, *more or less successfully*, of the virtues of playing in tune.

The programme last night of the Campiello's first serious London concert, given at the Air Gallery in Shaftesbury Avenue, was devised and composed by Nyman *himself*, and *strictly* speaking contained no arrangements at all. Closest perhaps to the genre, at least of sassy re-arrangement, was *In Re Don Giovanni*—the first 16 bars of the Catalogue Aria dismantled and *exuberantly* reassembled for piano, two violins, banjo, euphonium, bass clarinet and chinese flute: though in its new form, far more like a mediaeval Paul Anka's *Diana* than anything from Mozart.

It was an evening, indeed, of familiar harmonic sequences made still more familiar; variations on a tonal theme, treated with simple chromatic reverence, laid out in simple patterns embroidered in simple additive textures—no working of great sophistication, but nothing either precious or coy; a refreshingly good-humoured programme of 14 short pieces, none long enough to labour, brief facets and reflec*tions of a single* view.

The most abstract of the conceits, a single piece called *A Walk Through H*, part of a larger projected work, gave a formal framework to the sequence, reappearing four times in different guises: at first a long-sustained, slow-shfting chord held against piano rippling—like Philip Glass with a spoonful of sweetener, but less busy, less insistent; a faster, jogging 15-note motif, against the same rippling piano, quick, lucid mechanism; the third, the biggest, most jubilant variation, punctuated by solos, a moment of sudden dramatic force; the last, a swirl of 16th-notes, virtuoso elaboration, driven to a sudden, breathless end.

And along the way, beside the *Walk*, variety of views, even if essentially of the same scenery—some of them unexpected (*Is It a Fact That Mice are attracted by Music*, the most grandly orchestral of the pieces, offered a positively Wagnerian solo for *amplified rebec in juicy counter*point with the ensemble); others less adventurous, and as the sequence progressed, a shade more predictable. *Pretty Talk for George Brecht* was one exhilarating exception: a musical layer-cake on the Capern's Bird-seed label, very funny, and in a wry way, very touching. Repetitions can, and do, become repetitious.

DOMINIC GILL

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000
Tuesday April 4 1978

The wilting dollar

DESPITE the greater concern which the U.S. Administration has shown in the past few months about the weakness of the dollar, the weakness has persisted. A variety of different factors can be cited to explain this. First, a number of observers both in the U.S. and abroad are still at least half convinced that some members of the Administration are not averse to seeing pressure put in this way on strong economies like Japan and West Germany, which they may regard as not doing enough to promote world economic recovery. The decision to activate swap arrangements and intervene more actively in the markets, in particular, is more a smoothing than a support operation, however dramatically it may have been introduced.

Second, some of the Arab oil producers, concerned about the decline in the value both of their dollar assets and the real price they receive for their oil, have been talking both about diversifying their assets and claiming compensation for the fall in the dollar. Third, the size of the coal miners' pay settlement — followed by a speech from the leader of the Teamsters — has helped to reinforce fears about the future course of inflation. This is already running at a level high enough to have created sizeable pressures (their nature varying with their source) for a more vigorous programme to control wages and prices.

Trade deficit

Finally and most recently, at the end of last week, came the very poor trade figures for February. The bad weather and the coal strike have cut back the U.S. rate of growth since the turn of the year, so that some improvement in the figures was hoped for. In fact, the February deficit is nearly double that for January at $4.52bn. and $900m. higher than the previous record last October: in the first two months of 1978 it has been 60 per cent. higher than in the same period of 1977. Our own recent experience suggests that the figures may turn out to be a statistical freak: certainly there is no obvious explanation of them. Exports dropped a little while imports soared, but the increase in oil imports (which can be explained by the coal strike) was a relatively small part of the total. The fall in the value of the dollar has itself increased the cost of imports, but not enough to account for the February figures or remove the fear that the total deficit for the present year may be substantially larger than last year.

Possibilities

The dollar closed off the bottom yesterday but was still lower than on Friday. Vice-President Mondale has already let it be known publicly that the Administration is seriously concerned about the rise in the trade deficit. President Carter has stated that one of his first tasks on his return home will be to announce the various decisions which the Administration has been taking. Some major statement therefore could well be in the offing, and there have been several different hints dropped about the possibilities.

Perhaps the most surprising, because of its outspokenness, came from the retiring chairman of the Federal Reserve Board, Dr. Arthur Burns, at the end of last week. He suggested that, to prevent the serious international damage that might be caused by a further decline in the value of the dollar, the U.S. should intervene in the exchange markets with its full weight—not only drawing on the Fund but issuing foreign currency bonds on a massive scale and mobilising the gold reserve. His successor at the Fed, Mr. Miller, has concentrated more on the fact that, however deplorable the consequences in terms of economic growth, interest rates are bound to rise further if inflation continues at its present rate and the trade deficit at its present level. Finally, Vice-President Mondale has once again reiterated the need to make drastic economies in the U.S. use of oil. These are only possibilities. The one certainty is that a half-hearted statement by the President will do more harm than no statement at all.

Almost down to single figures

THE GOVERNMENT has no power to control directly the amount of money local councils spend. So long as local authorities are free to decide their own local rates, Ministers have to rely upon whatever influence they can muster through a combination of exhortation and the leverage afforded by the Exchequer grant which is paid to support local authorities' current expenditure. Mr. Peter Shore, the Environment Secretary, expressed the hope that local councils would keep the average increase in this year's household rates to within single figures when he announced last November an unchanged percentage rate of government grant for 1978-79 on the basis of an unchanged level of grant-supported expenditure in real terms in the coming year. According to a survey carried out by the Rating and Valuation Association, covering 386 of the 403 rating authorities in England and Wales, the mean increase in domestic rates bills has been about 11 per cent.

Overspending

The outcome may be thought sufficiently close to be regarded as broadly satisfactory. The difference may reflect statistical factors in that the R and VA's figure is a mean, rather than a weighted average. It may reflect local treasurers' caution in budgeting for a somewhat higher rate of inflation than the figure assumed by the Government when it made its calculations last November. On the other hand, it could indicate plans for an overall level of expenditure in real terms somewhat above the Government guidelines. There is already some evidence to suggest that local councils in Scotland are once again overspending. The situation in England and Wales will not become clear until detailed returns of local budgets for 1978-79 are submitted to the Department of the Environment in a few months' time.

If these figures do show that local current spending is likely to be higher than the Government considers desirable, then local councils cannot expect to be so favourably treated next November when the rate support grant for 1979-80 will be settled as they were last November when this year's grant was fixed. For Mr. Shore took a calculated risk in deciding to give the same percentage grant —61 per cent.—as in 1977-78. He could have opted for a tougher grant settlement by taking full account of the recovery of local councils' cash balances and the small year-to-year growth in aggregate rateable values which constitute local councils' tax base. He chose not to do so in order to give both local authorities and ratepayers a measure of greater stability and in order to provide more room for a shift in the distribution of grant towards London and the metropolitan areas.

Manipulation

However, sharp changes in the distribution of grant of the kind local authorities have experienced in recent years can make it more difficult for local councils to keep to the Government's expenditure guidelines. Councils receiving a bigger share of grant are tempted to spend more and those receiving less may not find it easy to adjust their expenditure accordingly. The effects of the many changes which were made this year in the system of grant distribution are borne out by the R and VA survey which shows much lower percentage increases in both household and business rates in Greater London (and slightly smaller increases in the metropolitan districts) than in the rest of the country.

Changes of this nature not only open up the grant system to political manipulation. They also reduce its effectiveness as the main instrument of central influence over local government spending. The Government can claim considerable success in bringing the growth of local spending to a halt in the past year or two. The task of keeping local government expenditure within limits the nation can afford will be rather harder during the next phase when a moderate rate of increase may be in order.

The Grays affair stirs up the building societies

BY MICHAEL BLANDEN AND MICHAEL CASSELL

THE building societies have suffered a big dent in their image of safety and security as a result of the £7m. losses of the tiny Grays Building Society. While the shock waves spread out through the movement the big societies, which have been asked to foot the bill, are already devising ways to try to ensure that the Grays affair should be the last of its kind.

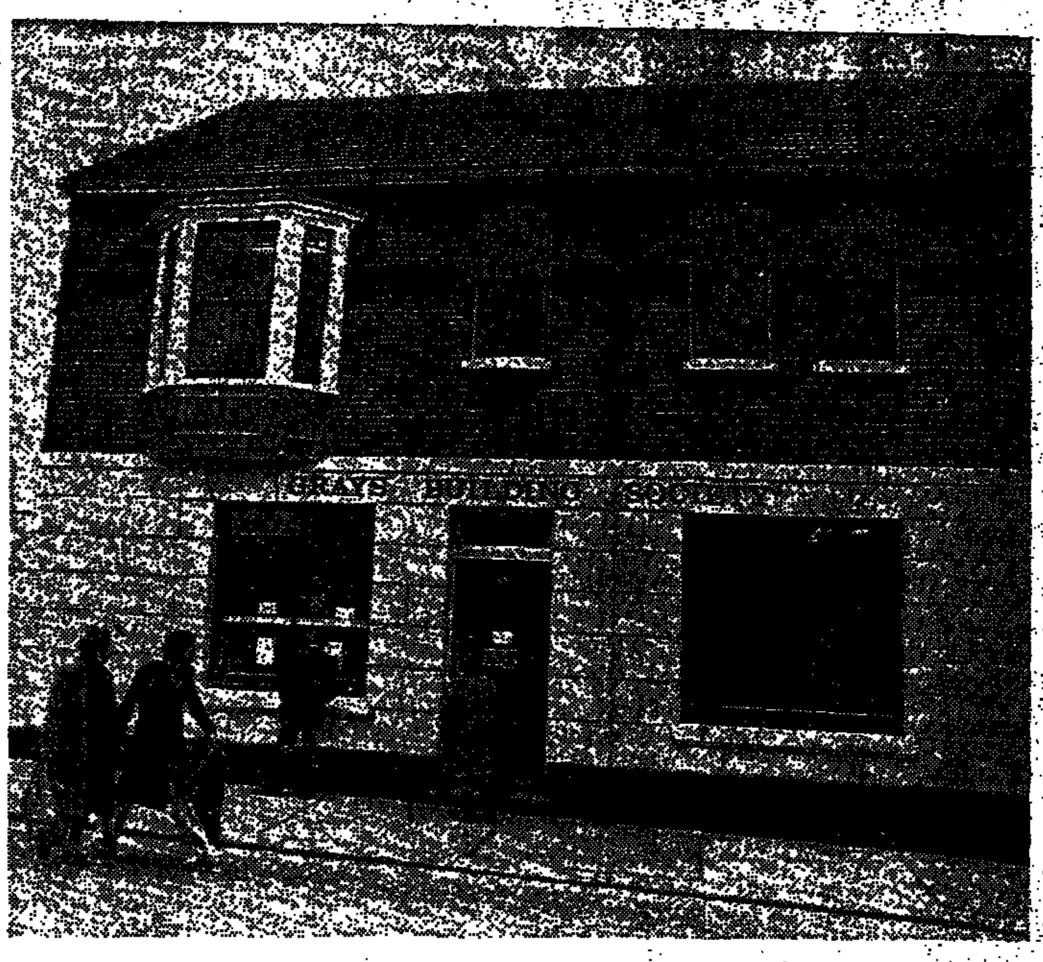
Among the societies' main priorities will be moves to establish a formal "rescue fund," financed by contributions from its members. This is likely to be accompanied by calls for much tighter supervision of building society operations. If proponents of these suggestions get their way, the result could be the establishment of a system closely parallel to the arrangements which are planned for the banking section of the financial market. They could provide at least part of the answer to the criticisms being levelled by the big banks at the structure of the building society movement.

The Grays affair will not make it any easier for the building societies movement to withstand outside pressure, such as that from the banks, for fundamental changes in its methods of operation. The timing of the revelation of the massive losses at the Grays could not have been worse from the movement's point of view. It is all too well aware of the potential damage inflicted upon it by the recent events.

For the banks, the development highlights one of the criticisms which they have made of the advantages enjoyed by the building societies in competing for savings. The main attack in their evidence to the Wilson Committee, published yesterday, concentrated on the various fiscal benefits given by the Government to encourage home ownership. But they are also concerned that the societies will be excluded from the arrangements for a special fund to provide protection for depositors in the banks which is planned under the new banking supervision legislation.

The ideas now circulating among the building societies are, in some respects, remarkably similar to those which have been put forward in relation to the banks. If they were adopted, they would provide a fund similar to that proposed for the banks to ensure that depositors would not lose their money. The case being argued by some of the big societies suggests that as their own financial stability is not in question only the smaller societies should pool resources to help in the event of further failures.

There is no doubt that the five largest societies called in to sort out the Grays debacle —the Halifax, Abbey National, Nationwide, Leeds Permanent, and Woolwich Equitable — are far from happy about their "lifeboat" role.



Terry Kirk

The Grays Building Society head office in Essex: It remained closed yesterday. On the right is Mr. Keith Brading, Chief Registrar of Friendly Societies.

When problems at the Grays first came to light about two weeks' ago, the societies imagined that the "irregularities" were of the order of those discovered at the Wakefield Building Society in July, 1976. Then, about £600,000 was involved and the Society was absorbed, quickly and without any fuss, by the Halifax.

In the absence of any formal procedure to cope with such occurrences, the Woolwich—the large society nearest to the Grays area of operation — was asked to send someone to study the accounts. By Easter Monday the first look at the Gray's hand-written ledgers had uncovered discrepancies of a size which took away the breath of the societies.

But speed was essential. Such is the movement's over-riding concern for protecting its largely untarnished image of soundness and security that the five largest societies were compelled to pledge themselves to cover the losses, whatever they might finally be.

The Grays problem is so large that a normal transfer of engagements to a single society has been impossible. The societies have been unable to avoid some delays — breeding uncertainty and doubt in investors with societies other than the Grays because of the sheer scale and complexity of the affair.

However the losses are finally met—and next week's meeting of the Building Societies Association could see a call for a wider "collection" among societies—the movement has committeed itself to ensuring that none of the Grays' 7,000 investors or 2,000 borrowers suffers in any way.

In the meantime, however, the continuing closure of a building society head office, with complaining investors grouped on the pavement and notices of apology posted in windows, is an embarrassment which the other societies will now seek to eliminate as quickly as possible.

As a full investigation on behalf of the Chief Registrar of Friendly Societies—the movement's watchdog body—gets under way this week, attempts will also be made to find a way of guaranteeing that the movement's reputation is never again challenged in such a damaging way.

A major area for attention will be the role of the Chief Registrar. Under the Building Societies Act 1962, which vests the role of monitoring the societies with the Registrar, a society has to provide him with an annual return of its independently audited accounts, as well as information on the operation of the society during the year in question.

The accounts and monthly statistics also provided are examined by the Registrar's office. Each year societies with potential difficulties ahead of them are identified and action, often ending in a transfer of engagements to another larger society, is taken.

There will now almost certainly be calls for wider powers for the Registrar to enforce the transfer of engagements in those cases where he considers such action to be advisable. The Registrar himself, of course, may use the opportunity provided by the Grays affair to seek changes in other regulations governing society operations.

More people to do the job

If the Registrar's Office is to pursue its monitoring more comprehensively, it could also usefully put forward a case for more people to do the job. For while it sees and examines all the accounts of U.K. building societies each year, it is ill-equipped to carry out a watertight monitoring role. In addition, the Registrar's Office has responsibilities beyond the building society sector which make heavy demands on its time.

The societies involved in the Grays rescue will also want to establish some system whereby they will not be expected to pay out their own investors' money to make up for the shortcomings of other operations.

The question of how to ensure the protection of people's savings in all forms of deposit-taking institutions is one of the points with which the big banks have been most directly concerned in their considerations. The banks are by no means unfamiliar with the sort of informal but effective arrangements which at present apply to the building societies; after all, they had to put up the bulk of the funds to finance the lifeboat support operation for the fringe banks from the end of 1973 onwards.

In the wake of that crisis, the Government is now planning to formalise the arrangements for the protection of depositors as part of the legislation planned to establish a new basis for the supervision of deposit-taking institutions. This will introduce for the first time in this country a comprehensive system of licensing for such institutions. It will also set up a fund to cover small-depositors in any institution which gets into trouble, a proposal which has been the subject of a good deal of criticism from the big clearing banks.

They have argued consistently that their own stability is not in doubt, and that they should therefore not be required to put up the money to enable smaller and potentially more vulnerable competitors to offer guaranteed facilities for depositors.

The official proposals, however, are that a number of institutions would be excluded from bearing the cost of subscribing to the fund. These include the National Giro, which is itself now to develop fu towards becoming a full ing operation, and the bui societies.

The banks may feel, fore, that the Grays operation and its aftermat add considerably to the str of their arguments. It has lighted the problems and costs involved in ens absolute safety for depo and the fact that the investors will not have able to withdraw their for some time — at until the office is able to again — has perhaps sl damaged one of the aspe building society compe which most concerns the

This aspect is the abil the building societies to their depositors instant deposit and withdrawal ties, and to do it at time ticularly on Saturdays, wh banks are unable to open doors.

The main target of the is not only the building so They maintain that the di tion of savings in the fi markets is distorted in a ber of ways by fiscal and forms of encouragemen vided by the Government, benefit of National Savin the life assurance compa well as the building so The banks' argument is th incentives should be generally available—pre by offering them to the finance rather than th viders — in order to es "fiscal neutrality" in the place.

Within this context, b they have concentrated larly on the building so The banks see the move branches competing in th Street for funds which ar tively being placed on term. They see the pos of new services being loped, such as the provi American Express tra cheques announced ye by two Midlands-based societies. And they arg besides the advantages o lower overheads, arising because they do not prov same range of costly serv the banks, the building s enjoy a number of bene stowed by the Governme

The Grays affair could fore bring results wh some ways would answ of the bank's criticisms. offers, the building s themselves, which h reputation for not resp very rapidly to eve opportunity to demo their ability to react to a specific problem wh important implications future of the movement. way, they may be able stall outside criticism a possibility of their free action being curtaile tighter externally - i controls.

MEN AND MATTERS

It's close for Encounter

The final count-down for Encounter may be near at hand: insolvency could condemn the literary and political monthly into oblivion before the summer arrives. "We have enough money for two more issues," editor Melvin Lasky told me yesterday. "The printers are anxious — they understandably do not want to set copy for very far ahead, in case the issues never appear." Lasky has been editor of Encounter for 20 years and when I spoke to him was sending out final invitations for a party next Tuesday (fittingly enough, Budget Day). The party, "strictly limited to cheap plonk," is to celebrate the magazine's 25th anniversary, due in October. "But we may not get there," admits Lasky.

Encounter's contributors over the years have been a rollcall of the distinguished and famous (not always the same, of course). Roy Jenkins writes regularly and has told Lasky that if it is possible to hang on he will try to raise some funds around Europe. The magazine has been living from hand to mouth, running deficits of around £30,000 a year, ever since Lord Ryder took over IPC in 1971 and axed the subsidy IPC had given for seven years.

An Encounter memory that dies hard with the intellectual Left is of its unwitting receipt of funds in the 1960s from the Central Intelligence Agency. The staff still wince at the mention and say that editorially, with 21,000 subscriptions, Encounter is stronger than ever. "Our crisis is one of business management," admits Lasky. This week he is watching every mail, in hopes of a life-saving letter from a German businessman he met over Easter.

"Any resemblance between the following and a Party Political Broadcast will be entirely intentional. . . ."

Free ranging

What diplomatic triumphs Liberia's President William Tolbert has been enjoying. In his Mansion House last week the Presidents of Guinea, the Ivory Coast, and Senegal agreed to end decades of disputes. And now he has hosted President Carter. It may have been for only four hours yesterday, but it was a State visit none the less—and this despite the efforts of Andrew Young.

Young likes Nigeria but, in common with many black Americans, thinks Liberia a home for Uncle Toms. When Carter's trip was planned last November he opposed Carter's including Monrovia on his itinerary. But Tolbert's emissaries to Washington overcame this and Carter may well have been pleased. After all, he had quite a lot to talk to Tolbert about.

One Liberian has suggested to me that Tolbert's lay preaching might have led to a meeting of souls—but more topical is shipping. After all, among the tankers to sink recently were the Liberian-registered Argo Merchant, Venoil and Venpet. And, of course, the Amoco Cadiz. . . . A little oil on the flag, you might say.

Econerotics

I had always thought that it was Marxist to believe that there was economic explanation for all endeavour. But now, 10 years after they gave us "Crime and Punishment: An Economic Approach," Chicago University's Journal of Political Economy has a new trend setter—"A Theory of Extramarital Affairs."

The article on this by Yale Professor Ray C. Fair develops a model that "explains the allocation of an individual's time among work and two types of leisure activities: time spent with spouse and time spent with paramour."

A rarefied issue? Not at all, seeing that recent U.S. surveys showed that one in four of men and women in their first marriage have lovers. Also, Fair claims, the model he has developed can be applied to other types of leisure activities.

"Pleasure is none, if not diversif'd" quotes Fair from John Donne (1967 ed.). He then gives us three pages of algebraic equations and jargon such as "at the optimum, the marginal utility of time spent in the marriage is equal to the marginal utility of time spent in the affair ($df/dt1 = dg/dt2$)."

After some chat on derivatives and cross-derivatives and "strict concavity," we learn that the income effect on time spent with the paramour is "positive as expected"—which, being interpreted, means the higher your income, the more time you have for affairs.

Fair himself suggests the decision to have an affair could be analogous to the decision on whether to commit a crime. His model—in fact considers degree of religiousness as a possible factor—and the findings he tests the model on seem to prove this.

I will spare you all his suggestions of seeing the matter as a game-theory problem, or comparing looking for an alternative spouse with job-searching. But I did try to ask the magazine why they, the Holy of Holies of the monetarists, had printed the piece. That was difficult — two editors were in Israel and a third in Hawaii. Still, Fair himself was happy to confront my question of whether he had written with his tongue in his cheek. "It is not a joke," he told me on the telephone from Yale, "but is in the spirit of economists' recent work on suicide, marriage and church attendance." He felt there was a role for economists to play in such research and said that all he had done was to apply a standard utility maximisation model to the question.

Verbal flights

Searching for an appropriate term of approbrium at an EEC budget meeting in Luxembourg yesterday, Denzil Davies, the Treasury's strongly anti-Common Market Minister of State, compared the CAP to "an albatross." Klaus Von Dohnyani, Germany's Minister of State for Foreign Affairs was quick to retort that "the albatross was a beautiful bird which flew for a very long time." A more apocalyptic note was struck by Michael O'Kennedy, Ireland's Foreign Minister. He remarked that the British, as a seafaring nation, should know what happens to people who shoot albatrosses.

FINANCIAL TIMES SURVEY
Tuesday April 4 1978

ITALY

The ramifications of the kidnapping of Signor Aldo Moro may be far more widespread than is generally appreciated outside Italy. The kidnapping itself is really symptomatic of the problems facing the country, which still has a long way to go towards gaining political stability.

A nation in turmoil

By Dominick J. Coyle

THE CHALLENGE to Italy today is very real. The sensational kidnapping last month of Sig. Aldo Moro, five times Prime Minister and *President* of the still powerful Christian Democrat (DC) Party, is not just another indictment of the security forces who have been fighting a losing battle in the country's escalating crime war. This kidnapping was a deliberate political act, directed against the very heart of the state, as indeed its perpetrators noted in their first statement of claim, issued under the label of the ultra-left Red Brigade terrorist organisation. Italian politicians, almost to a man, finally took the message, declaring in unusual unison that the terrorists had now declared "open war" on the state. It is true.

What is less clear, for the moment anyway, is how the state and its political forces intend to reply. The political parties — but very much less so ordinary Italians — are still in a state of shock, and behind the shock there is also an element of fear. There is, too, a danger that their response, when it comes, may not necessarily be an overkill in the security battle against the terrorists, but could risk undermining some existing safeguards for individual liberty. There is already a nasty mood in the political air, and a developing consensus between the main political forces, including the powerful Communists (PCI), that "we must now go to the limits of the constitution" to defend the state and its institutions.

Absorb

In a country which passes many more laws that its institutions ever manage to enforce *(fortunately, according to the* late Luigi Einaudi, the distinguished Italian economist and ex President of the Republic, who once noted that the state would absorb 110 per cent. of national income if every tax on the statute book was fully collected), determining just where these "limits" should be, even in the present real emergency, may have its potential dangers. Italy, after all, is a country whose politicians give a great deal of rhetoric to anti-fascist views, in some cases at least to excuse their own questionable past in the Mussolini era, but many of whose people really do have a hankering after law and order, and those with latent fascist tendencies may well exceed the 2¼m. people who voted for the far right MSI in the last general election.

The minority Christian Democrat Government of Sig. Giulio Andreotti has already put through a decree law with virtually all-party backing, giving increased powers to the police covering searches and arrests, the limited questioning of suspects without legal representation and a wider use of telephone-tapping. But, in fact, these same provisions were actually discussed by the various parties last July when criminal kidnappings (simply for cash ransoms) and acts of political terrorism were alternating throughout the country on at least a weekly basis. The political forces, and notably the Communists and the Socialists, took no concrete decisions then to support Sig. Andreotti, in part at least because — or so it seemed to reasonable observers — *they wanted to trade off* party political gains against more effective security measures.

In the context of maintaining law and order, in enforcing the writ of Government and the will of Parliament, the kidnapping of Sig. Moro differs little from scores of other kidnappings or acts of political terrorism, including the murder of judges and the knee-capping of party functionaries, and even of some journalists. The response then by the country's political forces was generally a noisy tut-tut and rather half-hearted assertions that "we will not be intimidated." Now in these very days, an estimated 50,000 policemen, supported by army units, are conducting a massive dragnet throughout the country in the search for the Moro kidnappers.

Of course, the kidnapping of the former prime minister and the slaying of his five bodyguards is different in that, uniquely, it was the first such attack directly on the State through parliament, but a cynical public has taken note of the great differences in the response. The public, too, is aware, or at least is fed almost daily with tit-bits in the newspapers, about actual or alleged involvement by politicians themselves in all sorts of shady dealings, and not just the celebrated Lockheed scandal. In the deep south right now, in the Calabrian capital of Catanzaro, a major trial is still continuing, arising directly out of the last period of so-called "political tension" in Italy with the bombings in Milan's Piazza Fontana. The immediate suspects then were from the extreme Left, but to-day, almost ten years later, there is unfolding in Catanzaro a story of political intrigue and the almost certain involvement in those Milan events of elements in the country's own security forces.

This whole atmosphere, coupled with the general political instability of the past decade, has undermined seriously the public's respect for law and order, as represented through the present institutions which, themselves, are generally controlled by the same old political hands who have been steering shakily, inefficiently and with often questionable morality the ship of state for three decades. These institutions have been breaking down in any event; the terorrists of whatever ilk and national origin have had much of their work already done for them, and a climate in which ordinary people no longer have any real hope of seeing good, clean Government has helped. More than one and a-half million unemployed, three in every four of whom are under 30 and with little real prospect of getting a job in Italy, have added to the social unrest and, in some cases, provided willing tools to be exploited by the extra-parliamentary forces.

The kidnapping of Sig. Moro has, finally, caused the politicians to stop and reflect, although who can say with certainty for how long. Even the President of the Republic, Sig. Giovanni Leone, whose own name has been linked in the past with questionable behaviour, although with no firm supporting evidence, acknowledged publicly last week that "errors" of the past would have to be put right.

Challenge

And yet the fear of the politicians right now is not just for the challenge from so-far unseen sources and individuals to their authority and the future of a democratic State. There are also fears in some DC quarters that Sig. Moro, under the persuasion of modern drugs, can be made to talk, assuming he is still alive, and to provide at great deal of potentially incriminating evidence against men who have held office for a couple of decades, and who still do.

In the cat-and-mouse game which the terrorists are playing with the State, the aim clearly is to pull everything down. Sig. Moro himself is one of the few leading figures personally untouched by any suggestion of scandal or wrong-doing and before his kidnapping was, without doubt, the most influential politician in the country. Yet one suspects that the terrorists now have it in their hands, through brainwashing, suggestion and innuendo to destroy the man's political future, even if he is subsequently set free. And this the one man who, had he personally wanted it, would almost certainly have been nominated with all-party backing, including that of the PCI, next December as the country's next president. It is one measure of the real crisis currently facing Italy, and also *of the power — however temporary —* in the hands of the terrorists.

Another important component of the crisis, and one which could well determine not just the nature of the Government's detailed response to this escalation of politically motivated violence, but also the future support for extra-parliamentary activity on the Left, is the arrival of the Communists after some 30 years into the governing process here in Italy. This is still a good way short of the PCI's cherished "historical compromise," or grand alliance in government of all the country's democratic forces, but it is nonetheless an important advance for the Communists, and it has come about despite the Carter Administration's publicly stated views that the U.S. did not wish to see any increased Communist influence in Western Europe, and favoured, instead, a reduction of its present support.

Minority

Following Italy's inconclusive general election in June, 1976, when no single party, or generally acceptable coalition of parties, obtained a working parliamentary majority, the Communists agreed to maintain a minority DC administration in office. This was through the so-called "policy of abstention" under which the PCI abstained on any key vote likely to bring down the government. However, the Party's base, representing the more than 12m. people who voted Communist in 1976 (putting the Party a mere 4 percentage points behind the long-ruling DC), soon agitated against the Communist leadership, asking why the PCI was maintaining in office a party which was committed to the status quo and which, in the eyes of PCI activists, was responsible directly for all of Italy's ills.

Under this pressure, the PCI leadership decided to chance its luck, demanding actual cabinet seats in exchange for its continued voting support. The Andreotti Government fell in January as a direct result and, ironically, it was Sig. Moro in large measure who worked out the new formula, bringing the PCI into the governing majority, but still outside the Cabinet. It was a classical Italian solution to an obvious parliamentary impasse, and last month Sig. Andreotti was able to put together another administration which, in its stated policies and its personnel, differed little from the previous one.

The Communists, or at least the Party's top leadership, believe they have advanced further to eventual direct participation in Government; the Christian Democrats insist that "we have conceded nothing of principle," and some important local elections in mid-May will be the electorate's first opportunity to give judgment on this Solomon-like compromise. Each of these big parties believes that its popular vote will increase, thus continuing the electoral polarisation evident in the last national contest, but the odds probably favour the DC, perhaps even more so now, since the party seems certain to campaign on a strong law-and-order ticket in the wake of *the Moro kidnapping. The PCI,* for its part, could have some difficulty in explaining to its supporters precisely what has been achieved in terms of the Party's main policy planks.

But this compromise has another important implication, for it risks creating a vacuum on the far Left, now that the Communists "have gone re- [illegible]able," and it is this vacuum which extra - parliamentary forces may seek to fill, supported by terrorist groups, such as the Red Brigades, who make no secret of their views that the PCI has "gone soft" on revolutionary policies, "on the great struggle of the workers." It may have a hollow ring at a distance, but in the political, social and

CONTINUED ON PAGE III

ITALY II

Left: Police search a motorist at one of hundreds of road blocks set up du the search for the kidnappers of former Prime Minister Aldo Moro. Abov meeting of party leaders at Chigi Palace last month.

Political battles

A RECENT speech in the northern industrial city of Turin by Sig. Enrico Berlinguer, the Communist Party (PCI) leader, contained an important (policy) phrase which, almost understandably, the cartoonists and the less professional humorists caught on to—and exploited—immediately. Sig. Berlinguer, speaking of the urgent need for political and social change, but conscious of the escalating politically-motivated violence throughout the country, and not least in Turin itself, told his supporters that the Communists had simultaneously to be both "revolutionary and conservative." Yes, quipped one media humorist, *revolutionary in grabbing power and conservative in holding on to it!*

It was not a friendly comment on the largest Communist Party in the west, nor was it meant to be, but it does underline yet again one of the PCI's greatest electoral handicaps—its lack of total credibility. True, this "credibility gap" has not prevented the party from making a more or less consistent electoral advance over the past 30 years, to the present point where it commands the support of some one in three of the popular vote (more than 12m. Italians voted Communist in the last general election), but it is almost certainly the major factor which denied to the PCI a plurality in the 1976 national poll, and it could well do so again next time.

For despite the repeated insistence to the contrary of Sig. Berlinguer and the party leadership as a whole and, given its ideological inspiration, its often courageous opposition to aspects of Soviet Union policy, there are clearly many Italian voters who still do not accept that the PCI is committed firmly and irrevocably to democratic pluralism and to the normal operations of a parliamentary democracy. Some of them actually do vote for the PCI but, on this important question at least, with their fingers crossed. Put another way, which is substantially the same argument—but not quite—there are a great many Italians who are convinced that the Communist Party under almost any other name would have secured power on its own years ago. They are probably correct, for *30 years of generally inefficient* and often downright corrupt Government by the Christian Democrats (DC) would not ordinarily constitute much electoral opposition for a competent, efficient and honest political party.

In that sense, its very name is the PCI's biggest electoral disadvantage, but then the name is but a reflection of the policy fact, whether deep down the real Moscow Communism, or that special and often conflicting brand of Eurocommunism which the Italian party invented. The PCI can get rid of Sig. Berlinguer, although there are no current indications that it intends to in the foreseeable future, but it can hardly survive a change of name and remain intact, either in its leadership or at its base—the *1.7m. card-carrying members* who, ultimately, are the party. In truth, there is an impasse.

Design

In a way, that is what the *compromesso storico*, the historical compromise, is all about, the PCI's grand design for a coalition of all the democratic forces in the country, a kind of grand coalition to rule Italy. Of course the experience in Chile was also an argument in its favour, and Sig. Berlinguer is on record—appropriately enough, in his published "Reflections after events in Chile"—to the effect that "it would be illusory to think that, *even if the Left-wing parties* and forces (in Italy) succeeded in gaining 51 per cent of the vote and seats in parliament, this fact would guarantee the survival and work of a government represetning 51 per cent."

But this is much more than the strongly implied hint that the Americans might interfere, directly or otherwise, to ensure that such a Left-wing administration did not work, or that Italy might be thrown out of Nato or the EEC, or even that a civil war of sorts would erupt *within Italy itself.* It is, of course, also all of these considerations, but the projected compromise is essentially the antidote to the PCI's credibility gap. Partnership in Government for the Communists would bring the party a sort of political and democratic respectability, and a platform from which to move on, having *established* as it were operationally its democratic credentials, to aim at securing power alone.

If this indeed is the party's ultimate aim — and securing and holding power is surely what all party politics is about —then securing the *compromesso* is for the PCI an essential halfway house along the road. It may not be the only one, but for the moment anyway it remains the objective of the Italian Communist Party. It is essentially the Berlinguer policy, and it is worth a mention here that his own leadership might very well not survive a formal dropping of the *compromesso storico* for an alternative approach.

Yet as a party platform, the compromise is in at least one important respect a negative policy for the PCI, negative in the sense that it can never be realised by the party itself as such. Of course, and not just *here in Italy, opposition parties* do assemble policy platforms which frequently take on a very different shape when faced with the realities of actual government, but it must surely be unique for a major political party such as the PCI to have at the core of its platform the realisation of an objective which can only be secured through a direct concession by its political opponents. It is the Christian Democrats alone who can concede the *compromesso* to the Communists, since without the DC there can be no historical compromise.

What the events of recent weeks here have demonstrated, during the prolonged search for *a new government, is precisely* that the Christian Democrats—as of now anyway—are certainly in no mood to concede a direct share in power to the PCI. The noisy and often very angry private debate within the DC parliamentary party during the protracted government crisis showed that an acceptance of Communist votes in support of a new minority DC administration was as far as a good half of the *Christian Democrat party* was prepared to go, and even that with very great *reluctance*. It is arguable, and perhaps somewhat academic at this particular time, just what the main body of DC opinion would favour in the event of the PCI emerging from new elections as Italy's largest single political party, but there are some indications that many deputies — especially those elected for the first time in 1976 —would favour (reluctantly) their party going into opposition *for the first* time rather than concede the *compromesso storico*. Those forces could well increase as time goes on.

Is it likely, then, that the Italian Communist Party may consider a new approach, perhaps even setting it tentatively in train in the run up to next year's National Congress? *It* should not be discounted, although its likelihood, and certainly the timing of any such change, could well be *influenced* in considerable measure by events outside Italy itself. It is no secret that the existing policy of the *compromesso* is not endorsed wholeheartedly by the complete leadership of the PCI, and this divide has been even more marked by Sig. Berlinguer's initial decision indirectly to support a Christian Democrat minority Government through a policy of abstention in parliament on key votes, and now by the party's formal entry into the parliamentary majority. There are also arguments with*in the PCI's central committee* on economic matters, not all members supporting the present policy, which owes much more to Keynes than to Marx. Most of all, perhaps, there is confusion at the base, rank-and-file PCI members being more interested in revolution than in conservatism. Many of them are now unable to rationalise their membership of a declared revolutionary party with its support of a Christian Democrat administration which is essentially conservative.

Disillusion

There is also a degree of disillusion that in those areas where the PCI, either alone or with the support of the socialists, has regional authority, the expected—irrationally, but expected nonetheless—transformation, the promised land, has not arrived. Naples is a case in point which is analysed elsewhere in this survey. As the *Communists move more towards* the governing process, although at national level still formally short of actual participation, there is the real risk of a vacuum on the political Left, and there are already signs that extra-parliamentary forces not averse to the use of for political ends are se fill the gap. This for is a real risk, *pace* the central committee mem Gian Carlo Pajetta: Left of the PCI, is th

But *where exactly* alternative policy? Th Sig. Berlinguer has reg not always consistently strated its determinatic independently of demands, but for the there is no breaking of even if the Italian pa *not look to Moscow* for to the true Communi preferring instead t through its own Italian

Changes

Yet in Moscow there men still in command, 1980s will surely brin ant changes there, and also in Italy. Maybe the party will break first. could well follow; and forecast at this time, ately after their disar electoral performanc could *also* happen wi French Communist Within the Italian camp, too, there are *coming, and one must* r that the PCI was fo 1921 by a breakawa from the Socialist F formal PCI break with might in time lead to a ment on the political L social democrat lines, the so-called "left alte to Christian democrac and more credible choic electorate.

Finally, there is ah risk of a reaction *to* whose time has gone. munist support cou ceivably be close to its may even have passed it is anything like seriou and renewal within Party over the next fe Novelty can be a f Italian political life, a how even the co challenge is becomin old hat. It is an es verdict on the lo Christian Democrats party is always in deep always divided, and this has been true, with dead man's grip of ho to power managing to party together. Clearly it not the only Italian party with real proble

Dominick J.

Economy in recession

ITALY HAD a growth rate last year of less than 2 per cent., compared with 5.6 per cent. the previous year, and ended 1977 with a sharply reduced trade deficit (well under $3bn., against more than double that figure a year earlier). And the balance of payments on current account, uniquely in recent years, showed a surplus. Earlier this year Italy was able to repay on schedule—from its greatly increased reserves — some $350m. off a 1974 EEC loan of $1.4bn., $368m. to the International Monetary Fund (IMF) and $500m. to the West German Bundesbank.

Superficially at least, it has not been a bad performance for a country which in the previous year had recurring political and foreign exchange crises and a premature general election which left a real stalemate and no basis for the formation of a majority Government. Additionally, undertakings given both to the EEC and the IMF did hit their main targets in the course of 1977, and there was some marginal improvement in the inflation pattern.

But it has been a year of only relative success, and that has been achieved at a sizeable cost. All the signs now are that Italy *is in* a real recession. Industrial output, compared with the corresponding month the previous year, fell each month since last April, and the decline actually accelerated sharply since September, and with an exceptional 13.5 per cent. drop in December when seasonal factors were only a small part of the explanation.

ECONOMIC INDICATORS

	Industrial production 1976	Industrial production 1977	Consumer prices 1976	Consumer prices 1977	Labour costs 1976	Labour costs 1977
January	+ 1.1	+18.1	+ 1.1	+ 1.3	+ 0.7	+ 0.5
February	+ 4.5	+11.1	+ 2.2	+ 1.9	+ 2.5	+ 5.1
March	+ 9.6	+ 7.6	+ 2.0	+ 1.3	+ 0.1	+ 0.1
April	+ 8.5	+ 4.2	+ 2.6	+ 1.2	+ 3.2	+ 0.6
May	+19.0	− 0.2	+ 2.0	+ 1.2	+ 7.9	+ 3.2
June	+11.6	− 3.3	+ 0.5	+ 0.7	—	+ 0.1
July	+11.6	− 4.1	+ 0.5	+ 0.6	+ 2.8	+ 0.6
August	+16.2	− 0.4	+ 1.1	+ 0.9	+ 5.7	+ 3.8
September	+15.1	− 3.5	+ 1.7	+ 1.3	—	—
October	+11.2	− 5.5	+ 2.9	+ 1.3	—	+ 0.1
November	+13.8	− 8.1	+ 2.2	+ 1.0	+ 3.1	+ 3.0
December	+19.7	−13.5	+ 1.3	+ 0.5	+ 0.1	—

Variations (%) with respect of same month in the previous year.

Source: CONFINDUSTRIA

Mirrored

Not surprisingly, this decline was mirrored in the number of people out of work. The total of wholly unemployed at year-end was 1.5m., or an officially calculated jobless rate of 7.1 per cent., against 6.8 per cent. 12 months earlier. Even more alarmingly, some three in four of all unemployed are young people under 29 years of age, 41 per cent. of whom are said to have had higher education. The potential here, of course, is not just for social distress, but for violent reaction, and Italy has had its share of that, too, in the course of last year.

In his own end-of-year report on national economic management in Italy, Dr. Bruno Brovedani, an economic analyst with Banca Nazionale del Lavoro, has put the recent record succinctly: "Italy succeeded last year in steering its foreign trade position close to balance without relying on direct controls or restrictions, but chiefly by the sophisticated and well-timed use of the monetary weapon. Unfortunately, this admirable achievement was purchased at the price of choking off rather prematurely the recovery which had come after the 1975 recession."

This, in its own way, is a tribute to the Bank of Italy which, given the occasional absence here of any Government at all, and the more regular periods of political stalemate, is often obliged to act not just as a central bank but also as a kind of unofficial super ministry combining the functions of Treasury, finance and budget portfolios. Since monetary instruments are all that are available to the bank, they inevitably carry the main burden of economic management. However, it is perhaps salutary to mention at this time, when a number of forces are demanding immediate measures to reverse the downswing, that monetary policies aimed at stimulating the economy are usually less successful than restrictive ones.

Apart from this, there is the known good housekeeping philosophy of Dr. Paolo Baffi, the central bank governor: "Whereas in the decade from 1964 to 1973, several years of which were marked by severe cyclical difficulties, the real rate of growth of the (Italian) economy was just under 5 per cent., over the last three years it has fallen to 2 per cent. In view of the rigidity of labour costs, it must be presumed that pursuance of the objectives of reducing the rate of inflation to the average of the other OECD countries, and achieving first a balanced current account and then surpluses with which to repay part of the foreign loans we have contracted, *will not*, at the prevailing terms of trade between manufactured goods and raw materials, allow the annual growth rate to rise above 3 per cent. in the next few years."

True, not everyone here accepts the Governor's assessment, and the three years he was referring to were 1973-75, and indeed last year itself did bring some improvement in the terms of trade. But his underlying assumption, taken one year against another, is surely correct. The stop-go cycle is always an economic management formula, and not only for Italy, but the evidence here suggests that efforts to secure a high level of growth do contain almost automatically the seeds of an exchange rate crisis, and the time lag between the two is narrowing.

This is an important background to the present dialogue between the main political parties, with contributions from Confindustria, the national employer organisation, and the trade unions on the precise shape of economic policy for this year and next. Before its collapse in January, the minority Christian Democrat Government of Sig Giulio Andreotti was postulating a 1978 growth rate of just about 2 per cent, perhaps a fraction more, depending on demand actually generated by the three world "locomotives," the U.S., West Germany and Japan.

This target is now revised upwards by the new minority DC administration, again under Sig. Andreotti, as part of the political package which has brought the Communist (PCI) and four other notional opposition parties into a new parliamentary majority. In essence, the long-ruling Christian Democrats have lost a degree of direct control over the management of economic policy, and the revised 1978 budget, which will be unveiled finally within the next few weeks, will be very much an all-party compromise.

But the parties themselves have been facing some fairly rigid constraints. Each is naturally anxious to advocate the highest possible rate of growth without sparking off another exchange crisis, and on balance there is a fair measure of agreement in private that the Baffi "parameters" are indeed real. Yet the Communists in particular, but also the smaller Socialist Party, feel under strong trade union pressure to support a growth rate which can take up the present industrial slack and do something to tackle the deteriorating unemployment situation. No party has put a specific price, in terms of the national growth objective, on its parliamentary support for the Andreotti government, but an informal consensus has emerged which envisages that the Italian economy *should aim* to be growing at a rate in excess of 4 per cent. by the end of this year. Given the almost certain marginal growth in the first half, if indeed any at all, this suggests sizeable reflationary activity in the last two quarters of 1978.

The question is how, since the sharp improvement last year on the payments account was largely cyclical, as demonstrated by the direct relationship between righting the balance of payments account and the weakening of production. Clearly, there still are no signs of any real advance towards structural solutions capable of reconciling for Italy external equilibrium with a more than meagre growth rate. However, the outline programme agreed between the political parties claimed to represent some change in approach. What is suggested are measures to stimulate the economy, through additional investment and public works, and at the same time tight budgetary restraint.

Commendable

As a theoretical exercise, the approach is highly commendable, embodying the concept of cutting the size of the fiscal stimulus and improving investment orientation, a sudden turn in the direction of virtue by a country which for too long has been following wayward ways in economic management. But the reality may be something different. For example, the projected 1978 enlarged public sector deficit, on the basis of unchanged policies, has come out in the traditional model in excess of L31,000bn., or getting on for £20bn. All parties have agreed—some more reluctantly than others—that this figure is much too high, in large part because it is not acceptable to the IMF, to which Italy is still answerable.

There has been much less agreement on how to cut back the deficit, covering the public sector, State entities, the social services and ENEL, the State power undertaking. We must await the revised budget to see the exact details, and even then they are likely to be less than precise, but the parties have come up with a general recipe. This could be described as the three-three-three formula, since it reportedly provides for an additional (in round terms) L3,000bn. in new taxes, spending cuts of roughly an equal sum, in large measure on social welfare payments and through higher charges for the services of some public utilities, and a postponement until next year of another L3,000bn. in projected projects. All told, and after allowing for some emergency financial aid to State sector companies in immediate difficulties, the enlarged 1978 deficit should, on this scenario, come out around L24,000bn. (£15bn.); or the highest figure thought to be acceptable to the IMF.

But which new taxes, and what particular spending cuts and postponements? There has been nothing definite as yet, although the Andreotti Government is clearly going to try and ensure that the communists in particular are associated directly through their parliamentary votes with whatever new austerity measures are finally agreed. Meanwhile, the plugging of some sizeable holes in earlier budgetary calculations, through the doubtful mechanism of preempting (and collecting) future taxes, has been essentially a one-off affair with chickens coming home to roost next year in the form of lower revenue in real terms. This is hardly an encouraging prospect for whatever spending plans are to be put back until 1979.

Confindustria and the big labour confederations are far from happy with this whole approach, both insisting that the country must aim immediately at a much higher growth rate, presumably leaning on the reserves where necessary. But the reserves, greatly enhanced though they now are, when compared with the foreign exchange crisis period early in 1976 must still be set against Italy's outstanding debts, including those of the commercial banking system. These in total now amount to $17.7*bn.*, although admittedly roughly $2bn. less than at the end of last year. In 1978 alone, Italy's debt-repayment commitments amount to L4,000*bn.*, or about £2.5bn., although there are hopes that some part of this commitment will be rolled over, and, as indicated earlier, some repayments have already been made.

Finally, what of the prospects on the wages front, now that the trade unions are talking in more moderate terms. A number of big national labour contracts come up for renewal later this year, and for the moment anyway Confindustria, for one, is putting little hope in promises and protestations of moderation, preferring to wait and see the "colour of their demands."

Unquestionably, there is a real risk that a further sharp escalation in Italian labour costs could undermine the competiveness of Italian exports, a process which has been taking place gradually in any event, but which has been partly interrupted through exchange rate adjustments.

The present Government would like to see some alterations in the present national wage indexation system, but the unions are almost certain to reject anything but peripheral changes, seeing in the so-called *scala mobile* procedure their one real guarantee against an erosion of real wages through inflation. The quarterly adjustments in wage levels in line with increases in the cost-of-living is in great measure a never-ending inflationary cycle, but *as of now there is no obvious* support for the proposal of the veteran Republican Party leader, Sig. Ugo la Malfa, who is advocating a "social contract" along British lines. Even Prime Minister Andreotti has said that circumstances in Italy "are not right" for such an accord, although he left the distinct impression that the barrier was not one of desirability, but the impossibility of achieving it.

D.J.C.

CONTINUED FROM PAGE 1

Turmoil

economic terms of to-day's Italy, it could command quite a few recruits, most of whom no doubt would have no wish to align themselves with the men of real violence, but who do want to bring about change.

The strategy of the Red Brigades is to bring about a Right-wing backlash in the country, in response to their brand of terror, in the hope that the Communist Party itself would then be obliged to move away from its "historical compromise" formula and its new-found affinity with the Christian Democrats, and champion once again the "cause of the workers" in a virtual civil war. Forces to the political Right, both parliamentary through the MSI and others standing behind them, might not be averse to such a scenario becoming a reality.

In theory at least, now that the main ostensible opposition forces have joined finally with the DC in an enlarged parliamentary majority, the prospects of the country's democratic forces meeting successfully this challenge should be enhanced. If *it is not met soon*, and without recourse to exceptional measures of law enforcement, it may be too late. Meeting it will not just require correcting the "errors" to which President Leone has given general voice, but recognising—and providing for—the legitimate goals and aspirations of a generation which feels itself far removed from the men still in power.

It requires many things, but principally the re-establishment of respect for the institutions of the State, not least for Parliament itself and its politicians, a government working efficiently and seen to be free of corruption, the reasonable prospect of a job for young people pouring on to the labour market, a properly structured social security system (instead of a multiplicity of welfare pensions) and, in industry, particularly the vast state sector, a recognition that merit and not political loyalties is the criteria for advancement. For the enlarged forces backing the new government that is enough to be going on with in the immediate future. The question must surely be whether even now they are up to the task.

State industries undergo a major review

AT LAST the basic question is being asked: is Italy's vast State industry sector any longer capable of generating the kind of economic growth and potential—not least in terms of increased employment—which the country clearly requires as it *approaches the 1980s?*

In this context this year could well turn out to mark a watershed in the history of Italy's public sector. The *dramatic extent of the country's* economic and financial crisis, hitting in particular the entire structure of the country's State industries, is currently forcing a major review of an economic system which only a few years ago was generally regarded as an example of how nationalised industry could be managed on private enterprise lines.

But it is not only the economic crisis that has precipitated this overall review of the role and structure of the State sector. In large measure the changing political framework of the country, with the growing influence and power of the Communist Party, has brought with it a substantial transformation—if still undefined in its precise details—of a key economic and political sector.

Nearly 45 years after the setting up of the giant State-controlled Istituto per la Ricostruzione Industriale (IRI) under Mussolini—with the aim of returning credibility to the Italian banking system in the *1930s* and reconstructing the industrial base of the country—the basic issue is whether the IRI concept is any longer economically viable.

At first glance it would appear not. IRI, which controls six financial holding companies in Italy alone, which in turn control something like 180 *operating companies in Italy* alone, employing 500,000 people and with a turnover of L12,000bn. (£8bn.) last year, has managed to accumulate *debts totalling some* L15,000bn., or more than half the country's State sector deficit last year. Its steel operations, in the Finsider and Italsider group, are enor*mous* lossmakers. Its Alfa Romeo car manufacturing subsidiary is expected to report losses for 1977 of more than L140bn. Its shipyards are in the red, and so are numerous other of its varied industrial activities.

But it is not only IRI that is in trouble. Other State holding companies, like the aluminium, arms, food processing and tourism group, Efim, and the State oil group ENI, face similar if somewhat less dramatic financial problems. And if this situation is dire, the internal top management struggles that have erupted within these groups are an even more vivid expression of the turmoil in which the Italian public sector now finds itself.

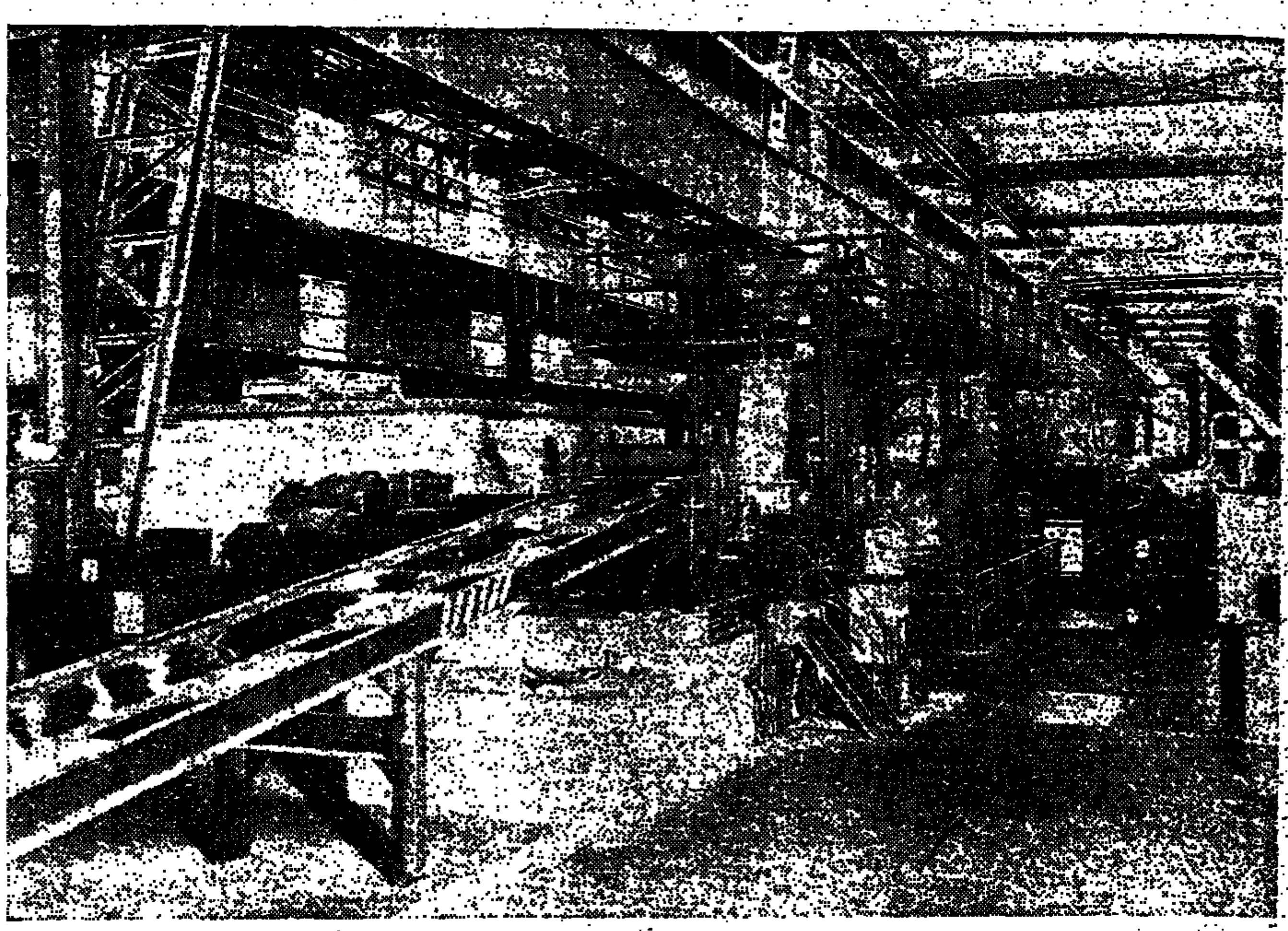
Eroded

In part, the reasons for this state of affairs are to be found in a long-term process that has gradually eroded the industrial logic on which the Italian concept of nationalised industry was originally based and transformed it into what has been loosely termed as "political" logic.

At the beginning, the idea was to use a group like IRI as a driving force for the industrialisation of the country. At first, IRI did this job with considerable success, so much so that later it was taken as a model for Britain's own National Enterprise Board.

Starting off as a huge salvage operation to help the troubled banking system and put back on their feet numerous private companies hit by the recession of the 'thirties, IRI effectively led the industrial transformation of the country in the years following World War II. It maintained the characteristics of a rescue group but at the same time promoted the development of the steel industry—now the second largest in Western Europe—and a whole series of other major industrial sectors.

In the same way ENI, especially under its charismatic chairman Enrico Mattei, supplied the country's growing energy demands by building up a sizeable presence in the oil-*producing countries*, launching into bold programmes for the supply of natural gas directly from Russia and often undercutting the traditional "seven *sisters*" on *their own territory.* Though effectively operating within the parameters of nationalised industry, these State conglomerates succeeded in *blending their "social"* function with the fierce and competitive management one normally associates with the private sector.



A continuous electrolytic tinning line, part of the c old rolling mill at Italsider's Oscar Sinaglia works.

In the mid-fifties things started to go wrong, with "political" rather than "industrial" logic gradually taking the upper *hand. The system, which had* so far managed on the whole to combine the economic efficiency of private industry with the broader social, economic *and political objectives of* nationalised industry, began to deteriorate. As the long-ruling Christian Democrat Party saw itself losing ground to the Com*munists, who now for the first* time in 30 years are directly supporting in Parliament a Christian Democrat minority government, its leaders decided *to consolidate their hold on the* State sector.

In the State sector they saw a means of controlling the politically most powerful economic *sector of the country. Through* the establishment of a special Ministry for State Holdings, the Christian Democrats sharpened their control of the public sec*tor. They extended their hold* through political appointments to top State sector jobs. Their policies, especially those directed to the depressed South, which led to the so-called "cathedrals in the desert" and the encouragement of debt financing on a grand scale, were often motivated on purely electoral grounds. In turn the Communists stepped up their campaign against the "old school tie" system of running the country's public sector.

Attacks

After a series of scandals and *increasing attacks against the* Christian Democrat "public sector" establishment, there have been a series of important changes during the last 12 months. *These were heralded* by the dismantlement of the State minerals agency EGAM at the beginning of last year following the decision of the *authorities. and indeed of all* political parties, that it was no longer possible to maintain against all economic logic obsolete industrial activities, *even within the State sector.*

At the same time, management revolts within indicated that it was no longer possible for politicians to control indis*criminately the State sector* companies. The unions for their part also increasingly adopted more moderate attitudes, first towards the dismantlement of *EGAM, and then, early this* year, to the liquidation of the State food group, Unidal, in return for employment guarantees.

To a certain extent the various political and social forces of the country now appear to be moving back to the old concept *on which Italy's State industry* was built. Certainly the State industries, originally designed to support and develop essentially the domestic market, have increasingly had to move towards exports. The sharp rise in Italian labour and money costs has not helped them. The pressures from the unions to maintain employment levels and increase wage levels, have not eased the very considerable difficulties of a public sector reconversion programme. The energy crisis itself had a severe effect on productivity and profitability. In a sense the changes, long overdue, had to come.

Although it is important to point out that the State sector contains an enormous wealth of technical and managerial skills and enormous assets in terms *of often technologically* advanced and modern plants, it is equally important to stress that the changes that are now taking place are in a great *measure ambiguous. In the first* place, they seem politically motivated, not only in terms of the changing relationship between the country's main political parties; but also in the political evolution of the labour movement.

There is still also considerable resistance to adoption of *new criteria for an effective* reconstruction programme—not least the introduction of modern and internationally acceptable accounting and auditing tech*niques for State sector balance* sheets. While leading figures in public industry go to great length to point out that their companies are still run the lines of private enter or at least are reverting t principle, there is little co evidence of this.

Indeed, even the EGAM is an example of a State s operation of sorts. Though mantled, most of the mineral agency's subsi *have been forced on the* State holdings like IRI an In return for their (pro moderate and accommo policies, the trade unio asking for *investments at this time*, can only com the State sector. In exchan some control of this economic sector, the Comm Party appears to be prepa maintain the fiction th State sector system is effe based on a free market ec

But although it has paigned fiercely agains abuses of the Ch Democrat management of industry, the Communist has effectively never spe in detail an alternative re or reconstruction progr The position is as ambigu that of the Christian Dem *It has published as many* and delivered as many sp on the State sector a Christian Democrats, bu proposals have generally *vaguely set in the medi* longer term.

The financial and stru problems of the giant private State, but esse *State, chemicals and fibre* glomerate, Montedison, have to be resolved. So c future investment progra for the proposed fifth inte *steel complex at Gioia Ta* Calabria, blocked for moment anyway by European Commission, a so many other areas of industry—reconversion o steel sector, the promoti *food and food* processin dustries in the South an country's crucial n energy programme.

In a sense, while the questions over the whole r the State sector are being in 1978, they still represe makings of a *long-ru* political pantomime. Ye issues are crucial, at a ti growing unemployment economic recession. But *It would be unfair to clai* Italy's public sector in years has become totally servient to a highly e game of political tenn *would be equally so to sa* the State system has n some way supported country's growth in the di years following the oil While employment in the sector nearly doubled ove past 10 years, it has rem practically static in priva dustry as a whole. But t no thanks to the politicia

Paul F

The private sector calls for growth

THE CONTINUING rundown in Italy's economic momentum — strongly emphasised in the 13.3 per cent. fall in industrial production in December compared with the corresponding month of the previous year—is causing growing concern to the country's private sector, so much so that the country's national employers organisation, Confindustria, Italy's equivalent of the CBI, has now launched what it calls its "Operation Growth."

*In a lengthy document sub*mitted to the political authorities and the trade unions, it calls for the highest possible growth rate without provoking a balance of payments crisis. It urges a growth rate for the whole of calendar 1978 of 4.5 per cent. instead of the 2 to 3 per cent. earlier envisaged by the monetary authorities.

The document goes on to stress the need for urgent measures to reduce the cost of money and labour, now among the highest in any industrial*ised Western country. Its chair*man, Sig. Guido Carli, the former Governor of the Bank of Italy, has—like the veteran Republican Party leader, Sig. *Ugo La Malfa — also recently* advocated the adoption in Italy of a social contract on U.K. lines.

The Italian Prime Minister, Sig. Giulio Andreotti, has gone some way to meet the demands of the private sector. He has indicated that his new Government's programme envisages a growth rate of up to 4.5 per cent. in the last quarter of the year. To help in reducing labour costs, his administration proposed to make permanent the transfer to the Treasury of part of the heavy social welfare charges now borne by employers.

In this 1978 Budget, yet to be approved by Parliament, Sig. Andreotti proposed to promote new investments totalling some *L4,000bn. (£2.6bn.), principally* aimed at creating new job opportunities in the depressed South. At the same time the trade unions have professed in recent weeks a willingness to adopt a more moderate and realistic line towards wage negotiations, and to accept the principle of labour mobility and the need to close down economically obsolete plants.

On the surface at least, all the signs point towards an improvement in industrial relations and a more forceful commitment from the political forces to support the private sector. The Communist Party, for one, hinted openly that it favours private enterprise, the recovery of the capital risk market and the general concept of a free market economy. Union leaders claim that in return for investments in new jobs they are prepared to ask their rank and file to make sacrifices. Through a series of devices, the Government promises to support private industry in its efforts to retain competitivity on foreign markets and assist the more financially troubled sectors like textiles, chemicals and steel.

While welcoming the fact that Sig. *Andreotti consulted the* employers over his new programme and the apparent shift in trade union policy, the private sector on the whole remains profoundly sceptical. As one industrialist remarked: "All sorts of good intentions are being mooted at present. But there is little of substance. Can the unions, who already appear to be split, guarantee that their base will accept a moderate line when it comes to renegotiating the main national labour contracts? Will the cost of money really drop? So far we have had to rely more on our

CONTINUED ON NEXT PAGE

هكذا من الأصل

Union leadership under test

THE ITALIAN labour movement is currently going through a kind of menopause. Its leadership has never looked so uncomfortable as in the last few months. Its rank and file is confused, concerned and angry. The country's three main trade union confederations are increasingly coming under strain, with cracks beginning to show in its apparently united front which groups together Communists, Christian Democrats, Socialists and Republicans.

The movement is now facing perhaps its biggest ever challenge. But this challenge embraces a painful dilemma. The dramatic nature of the country's economic crisis has forced upon it a whole series of problems and contradictions. But above all it is now facing one overriding issue: whether to protect the positions it has gained in the last ten years and the interests of its signed-up employed members, or to look ahead and defend the longer term interests not only of its members but of the working classes as a whole.

To all intents and purposes the union leaders appear to have made up their collective mind. They are now advocating for the first time a more moderate and realistic approach to wage negotiations. They seemingly accept the principle of labour mobility and the need to reduce the overall cost of labour as a prerequisite to economic recovery, and admit the folly of maintaining economically obsolete plants for the sheer sake of protecting short-term employment levels.

Shift

One has to look back ten years to see the extent and importance of the recent shift in the movement's policies. In the late 1950s the unions first emerged as a major political and social force. Earlier in the fifties, they had gradually increased their influence, especially in the industrial north of the country, where they managed to unite the working class base in the struggle for improved working conditions, social benefits and pay. The conditions of Italian workers in those years were generally regarded as being well below the average for other industrialised countries. When the movement exploded on the scene in 1968 and 1969 under the impetus of the increased electoral gains of the Left and the student revolt, it did so with a vengeance.

The conditions of the workers changed practically overnight. From the appalling conditions of the fifties and sixties, they went to the other extreme—in a sense because of a profound feeling of guilt on the part of the establishment but also because of the changing political framework in the country.

The dramatic gains of the union movement eventually lacerated Italy's economic structure. They resulted in an intense consumer boom which continued even after the oil crisis as salaries increased annually by more than 25 per cent. Over a period of six years labour costs rose by as much as 300 per cent., the result in large part of the so-called *"Scala Mobile,"* the Italian system of wage indexation. The competitiveness of Italy's manufacturing industry dropped sharply. Production was repeatedly hit by the growing number of strikes. The burden of social welfare charges paid by employers became almost unbearable.

The economic recession brought with it a recognition on the part of the union leadership that the country had effectively reached the end of the road. Unemployment kept rising and the union movement, which traditionally had protected the interests of its employed members, was increasingly coming under pressure from the social forces they claimed to represent.

But of Italy's nearly 2m. officially unemployed, nearly 75 per cent. are young people looking for their first job. The unions have never turned their attention to this potentially explosive problem of youth unemployment, but with the growing student unrest of the past 12 months, and the deterioration of law and order, the unions too, or at least the leadership, have had to concentrate on this problem.

It has been a disconcerting experience. When Sig. Luciano Lama, leader of the largest and Communist-dominated labour confederation, CGIL, addressed a Rome University rally last year, he was not only booed: his presence indirectly sparked off a riot.

The movement found it could no longer regard itself as playing an important, if limited, social role; it had become a political force. Although labour leaders are now attempting at great length to say that the unions are not "Italy's seventh political party," to all intents and purposes they have effectively become perhaps the strongest of all political voices in the country. The latest Italian Government crisis was precipitated, at least in part, by union threats to organise a general strike against Premier Giulio Andreotti's economic programme.

In December the mechanical union organised a mass demonstration in the squares and streets of the capital. It was a national event, given unprecedented live coverage on television. It forced the Communist Party to come out in the open and demand a greater say and influence in power, thus eventually leading to the resignation of the Andreotti Government in January.

Tortuous

Subsequently, when a political agreement was eventually reached after nearly two months of tortuous negotiations by the country's main parties, Sig. Andreotti invited the unions to discuss his new programme before submitting it to Parliament. The unions were consulted at the same level as the political parties.

In Naples, at the same time as sealing their agreement with the Christian Democrats in Rome, the Communists organised a national Communist workers' assembly. They urged CGIL union members to accept a policy of austerity as part of a formula for the renewal of Italy's social and economic structures. Leading Communist party spokesmen, including the General Secretary, Sig. Enrico Berlinguer, spoke of the need for sacrifices, for wage moderation, and for the support of the depressed regions of the South.

In January the CGIL leader and former Communist deputy, Sig. Lama, was already expressing the same sentiments. The three main union confederations approved a document for a new industrial and economic policy. In two months some 10,000 shopfloor meetings were held in factories and plants to persuade the rank and file to accept the new policies. After more than a year of negotiations major union - management disputes involving first the State Unidal food manufacturing group, then the Italsider steel conglomerate and subsequently the Alfa Romeo car group were resolved. It represented an important turn-round in Italian industrial relations.

Yet the speed with which the switch has taken place has left a so far unresolved series of ambiguities. It is held by some that the shift in policies was to a large extent politically motivated. At a time when the Communist Party—which after all, unlike the Labour Party in Britain effectively gave birth to the Italian labour movement—was making its latest bid for a foothold in the Government, it was simultaneously asking the unions to adopt more moderate policies.

This in turn has led to a rift within the union movement as a whole. The Christian Democrat and Socialist union leaders are now accusing the CGIL, and Sig. Lama in particular, of putting its party before the objective aims and demands of union members. In so doing these Christian Democrats and Socialists may be genuinely voicing their concern over the future evolution of their movement, but they are at the same time involved in the complex Italian political balancing act of maintaining the delicate equilibrium between Right and Left.

The real test of the evolution of the Italian trade union movement has yet to come. It will be in the form of the shop floor response later this year and into next to the new shift in policy, when a number of important national labour contracts have to be renewed. It is still uncertain whether the rank and file will accept their leaders' call for moderate wage claims to bring back competivity to industry and lead the way to recovery.

If inflation remains in double figures it is difficult to believe that the union base will accept future salary rate increases under double figures. It is equally difficult to see the unions taking a softer line on the so far "untouchable" *Scala mobile.* For those in the North the severe problems of the South still appear remote. Politically, the union base itself is as divided as its leadership. For example, there are now signs of a consolidation among union members in the North towards the Catholic World and Right-wing political positions.

Unity

In the next few months the whole unity of the union movement will be on test. So will its apparent recognition of the need for a concerted and national policy to bring the country out of its enormous social and economic problems. The extent of the sacrifices now being asked by the labour leaders to the rank and file are indeed huge and contradictory, especially if one considers the situation in which the movement's base found itself barely ten years ago.

But at the end of the day the prospects of recovery in Italy will ultimately depend on the attitudes of that great mass—the working classes. The fact that the leaders of the movement themselves are reluctant to be labelled as the country's "seventh political party" is more than an indication of their anxieties. They have power, but perhaps not the necessary support structures and experience that are needed to go with power. They are relative newcomers in the Italian political arena. They would like to buy time but they are aware that there may in fact be little time left.

P.B.

Growth

CONTINUED FROM PREVIOUS PAGE

own devices than on any outside support."

This is particularly true of the vast majority of the country's small and medium-sized private enterprises, which effectively form the backbone of Italy's industrial structure. If they have managed so far to survive the current recession, it is mainly because of the basic nature of Italian small and medium industry.

Principally concentrated in the northern industrial belt of the country, in Lombardy, the Veneto and Piedmont, and in the so-called "Communist belt" of Reggio Emilia, this private sector has maintained a highly individual character. It has been able to adapt itself quickly to changing economic conditions, to organise its own export drive through local exporting consortia and to deal successfully at its own level with the difficult problem of industrial relations.

Cities like Modena, Brescia and Varese, where there is a high concentration of medium and small industry, appear to have managed so far to isolate themselves largely from the country's general economic crisis. These industries, involved in a wide spread of manufacturing from machine tools, mechanical and electrical components, textiles, steel to shoes and ceramics, are continuing to draw interest from potential foreign investors, ranging from Japan to the U.S. They are also the source of controversy at European Community level, accused often of undercutting the European market because of their ability to retain competitive prices.

But the recession is now also beginning to bite in this sector, too. Over the past five years labour costs have increased by as much as 300 per cent. For companies which have traditionally relied on self-financing, to turn now to the financial market at a time when interest rates on short-term money are still — if somewhat below 12 months ago — extremely high, implies serious limitations to their potential development. This is reflected in a steady decline in the productivity of medium-sized industries, which in some cases is as low as 45 per cent. of potential capacity.

The necessary external support to smaller enterprises to adopt more modern business management and accounting techniques is also severely lacking. Apart from small local regional banks, the banking system as a whole has not provided the sort of financial and indeed "education" aid to help this sector develop, or at least to see it successfully through the present recession.

The banks, however, have recently stepped up their intervention in the top end of the private sector—as they are also doing in the public sector. The financial and structural reshaping of the major private and public groups is in turn expected to help the recovery of smaller enterprises, which have recently had to look increasingly towards the export market as a substitute to the stagnant domestic market.

Consolidated

Recently major private groups like Olivetti, Fiat and Pirelli have gradually consolidated their financial position at the same time as diversifying their productive base. The Olivetti operation is a case in point. In January this electronics and engineering group finalised what represents an important financial operation to consolidate its indebtedness with the Italian banking system, transferring some L80bn. (about £60m.) of short-term debts into a medium-term commitment. The deal between Olivetti and some 26 Italian banks has been welcomed as an indication of the banking system's willingness to support and enhance the status and credibility of private industrial groups.

On a previous occasion Instituto Mobiliare Italiano (IMI), Italy's leading State medium-term credit institute, helped the Turin-based Fiat conglomerate in its efforts to consolidate its financial position by granting it a relatively low-interest credit line. IMI, like other banking institutions, is now also closely involved in the recovery programme of companies in one of the most troubled Italian industrial sectors—chemicals and synthetic fibres.

For its part, Fiat, Italy's largest private company, plans to complete its group restructuring programme over the next 12 months, which will see the giant holding decentralised into 11 separate holdings, linked to specific sectors of its industrial activities. The decentralisation programme aims at giving Fiat greater elasticity within specific sectors, bigger possibilities for entering into joint ventures and more competitivity. The Turin group, with a consolidated turnover last year of L11,000bn., has now turned its attention to the industrial vehicles and agricultural machinery division to balance in part the continuing difficulties of its traditional car manufacturing activity.

As regards the ailing chemical sector, the Government intends to introduce shortly a long overdue restructuring programme. There are likely to be major changes in Italy's largest chemical conglomerate, the controversial mixed State-private Montedison group with accumulated debts totalling L3,500bn., which will also closely affect the country's other heavily indebted and crisis-ridden chemical concerns.

The Government proposals are expected to include detailed co-ordination between the various chemical companies, not only in terms of their commercial policies but also of future investment programmes. The companies will probably be called to intensify their own specialised activities and to concentrate their future investments in the more economically viable production of fine or "secondary" chemicals rather than in their traditional but now uneconomical production of basic or "primary" chemicals.

The recovery programme, especially for the fibres sector, is likely to be based on the rationalisation of plants and a review of new investments so as to keep them in line with the limited domestic and international market demand.

Yet the programme for the chemicals sector, like the country's industrial recovery programme as a whole, depends on a whole series of so far unresolved issues. For a start, it depends on the attitude of the unions, since any reconstruction programme will imply some rationalisation of labour. It will then depend on whether the authorities can find the sizeable sums to support such a programme, whether the cost of money will effectively fall and whether some agreement on the system of inflation-indexed salaries can be resolved.

The national employers organisation has stated clearly that any such recovery programme must be directed in the North at bringing back productivity to acceptable levels at existing plants. In the South, new job-creating investments must, in its opinion, be directed towards those sectors which in the past have been ignored in favour of a disastrous policy of State-subsidised credits to promote the so-called "cathedrals in the desert"—capital-intensive plants using little labour in areas devoid of proper infrastructures.

Confindustria sees the answer in the South in the shape of agricultural investments and the promotion of new small to medium-sized industries, particularly in the food processing area closely tied to the region's agricultural base. The theories are all there. It remains to be seen if they can be executed "ten years too late," as one small businessman remarked.

P.B.

The South boils over

EVERY FRIDAY when the weekly market stalls motor up *the winding road of the Aspromonte*, on the very southern toe of Italy, a police patrol drives in front and behind in case of a hold-up. There are more than 130,000 young people, all with arts degrees, looking for a first *job. There are* the Mafia and numerous political and social clans that feed on poverty and under - development. Local government is chaotic, even in Left-wing administrations, and it is still necessary to have a "*Raccomandazione*" or to know someone in the town hall to get a simple birth certificate. The traffic signs on the empty brand-new motorways are used mainly for target practice. These elements of the Mezzogiorno, *Italy's South, could be the stuff* of film scenarios.

Now take some more recent facts. Some 150,000 trade unionists from all over Italy descend on the streets of Rome on the first Friday of December to demand a change in Government economic policy. The mass demonstration is given live coverage on television. It prompts the powerful Communist Party to adopt a strong line and remove its so far tacit support through a policy of abstention in Parliament for the Christian Democrat Government *led by Sig. Giulio Andreotti.* A month later the Government resigns.

Eventually, 54 days later, Sig. Andreotti forms a new Christian Democrat administration which uniquely in the past 30 years is supported directly in Parliament by the Communists. The new government formulates a commonly agreed programme with the other major political parties. The emphasis is on economic and social measures focussed above all on a recovery of the depressed South of the country, the Mezzogiorno.

The Mezzogiorno has been at the root of the current Italian crisis. Although it has been overshadowed in recent days by the bloody kidnapping of the Christian Democrat chairman, Sig. Aldo Moro, it is, together with the deterioration of law and order in the country, one of the key problems of the New *government will* have to face. In more than one way it is intrinsically linked with the growing phenomenon of violence in Italy.

In the first instance the enormous gap between North and South—which has widened over the last few years—has *created a structural imbalance* whose gravity cannot be exaggerated. In social terms it has seen not only an exodus from the region's original agricultural base to new local poles of industry which have *not come up to the general* expectations of the population, but an exodus too to the country's northern industrial belt and beyond to other Western industrialised countries.

The North, after the early years of the country's so-called "economic miracle," has not *been capable of meeting* the hungry expectations of the South. It was not geared to absorbing the type of emigration the South generated.

Explosive

A southerner who found a job with the Turin Fiat car conglomerate would set off with all the members of his numerous family. The city was unable to accommodate both him and his family, nor could it provide jobs for all. With him, the local Mafia also emigrated and found *ripe pasture and manpower in* the industrial slums of the North to extend its activities. So did the more extreme extra-parliamentary groups.

In the South, as the emigrants immigrated back in the wake of the recession, the situation has become explosive again. There prevails an overriding feeling of *frustration* and *of being let* down by all political forces including those of the Left.

Promises of new jobs, some 60,000 under the so-called "Colombo package," have not been fulfilled. Seven years after the city of Reggio Calabria rose in revolt there are now increasing fears of renewed *violence as social unrest grows.* The failure first of the land reform, which tended to distribute mainly the most marginal land of the traditional southern landowners and under financial and environmental conditions of the most discouraging kind, and then of an ambitious but generally unco-ordinated indus*trialisation policy*, have—like the climate, geology and history of the region—continued to conspire against it. Its population seemingly shares a common calamity.

The Mezzogiorno is perhaps the poorest, most backward and underdeveloped region not only *of Italy but of the European* Community as a whole. In this sense it constitutes one of the biggest single problems of European regional policy, because of the importance, albeit declining in the last 30 years, of agriculture, its role must be further viewed not only on a domestic but also on a Community level, especially with the prospects of EEC enlargement and the entry of directly rival agricultural producers like *Spain, Portugal, Greece* and eventually Turkey.

This Community dimension was recently given relief when Brussels effectively blocked proposals to build Italy's fifth integrated steel complex at *Gioia Tauro near Reggio Calabria.* The EEC intervention in fact was welcomed by the Italian authorities who could not see how they could get out of the steel proposal at a time of crisis in the Italian and world steel industries. It was to have provided some 7,500 new jobs. Some major infrastructures had already been built.

With the Brussels excuse, the authorities stopped what was already being termed as a gigantic white elephant. But in the face of local protests, and for a whole series of political considerations, not least the fact that the Mezzogiorno will probably be the main battlefield of the next general election, the *authorities have made tentative* pledges for an alternative industrialisation programme for the Gioia Tauro area.

The new programme for Gioia Tauro is in line with the Government's revised industrial policy for the South as a whole. It involves the promotion of smaller and medium-sized industries to give the South a base of manufacturing industries that can rationally be consolidated and expanded over the *years. The aim is also, to link* the new industrialisation of the Mezzogiorno with the region's two other major sectors with long-term potential—agriculture and tourism.

The government thus intends to promote food processing industries and tourism infrastructures at the same time as implementing an agricultural reform through financial incentives provided by the special credit institutes for the South like the Cassa per il Mezzogiorno, whose total available credit for the South this year *has already been increased to* about L3,000bn.

In the immediate short-term the Government plans to ease the region's chronic unemployment problems by focusing its policies for a recovery in the popular domestic construction market in the South, although this is clearly not the sort of productive investment the South requires for its longer term development. At the same time the authorities have been actively campaigning over the last 12 months to attract foreign investment to the Mezzogiorno.

Ironically, there is nothing very revolutionary in these new policies. When the Cassa per il Mezzogiorno was first set up in the early 1950s, its first task *was to develop* the basis of a modern agricultural and transport infrastructure in the South. By the start of the 1960s this emphasis was already switching to the massive industrialisation programme which has now come under increasing criticism.

In the period 1968-74 alone, the Government's Planning Board approved industrial investments in the South totalling more than L7,800bn. (more than £5bn.) for the creation, in theory at least, of some 93,000 jobs. But practically 80 per cent. of this investment was in the chemical and metallurgical industries which are relatively highly capital-intensive but low on employment.

Steel

In that seven-year period six of Italy's *largest* chemical groups—including among others Montedison and the State Anic group—*made* total investments worth L4,488bn. for the creation of only 33,000 new jobs, while the metallurgical industry invested L2,349bn. for the creation of some 25,000 new jobs, principally connected with the Taranto *steel complex. In Turin*, some L760bn. was invested by the engineering industry to provide practically as many jobs—33,995 to be precise—as the chemical industry which had invested six times as much.

Between 1961 and 1973 industrial investment in the South increased from 18 to 42 per cent. *of the national total, but em*ployment effectively fell from 24 to 22 per cent.

Despite this extensive industrialisation policy—a policy of which the Socialist leader Giacomo Mancini once said that nothing had to be spared to ensure the creation of an industrial tradition in the South like that of the North—the annual growth rate of the Mezzogiorno, which since the mid-1950s had increased at a similar or e[...] higher rate than the North, for the first time in 1976 [...] than half that of the north[...] and central part of the coun[...]

In 1976 Italy's GNP increa[...] by 5.6 per cent. Broken d[...] the growth in the North tota[...] 6.7 per cent. while in the S[...] it amounted to barely 2.2 [...] cent. Fixed investment [...] year increased by 3.5 per [...] in the South. Employment [...] by 1.2 per cent. in the N[...] and by 2.5 per cent. in [...] Mezzogiorno. Agricultural [...]duction in the South dro[...] by 11 per cent. Accordin[...] the official statistics bu[...] Istato, unemployment in [...] South, which accounts for [...] per cent. of the populatio[...] Italy, represents 42.2 per [...] of the national total.

In the last two years, wit[...] recession, the financial cris[...] the public and private sec[...] and the adoption of restri[...] monetary policies, the situ[...] in the South has *deterior*[...] It has not been helped e[...] by the way in which State [...]sidised funds have at times [...] administered or by the s[...] structure, of the region [...]duced and maintained by g[...]ations of feudalism. Yet it w[...] be an error, despite the [...] doubted mistakes that have [...] to underestimate the *se*[...] effort, capital and dedic[...] that have gone into the S[...] during the past two decad[...] many respects, these e[...] must also command respec[...]

There is now finally a ge[...] consensus in the country [...] the future policy for [...] Mezzogiorno. It is bas[...] *centred on the developme*[...] agriculture, the encourage[...] of labour-intensive indus[...] the agro-industry and tou[...] The aim is not only eco[...] but essentially political, [...] and cultural too—mainly [...]duce the *intolerable* con[...] which persist between [...] and South. Italy has a c[...] choice in front of it. It [...] question of identity—wh[...] the country regards itsel[...] of the West or whether [...] gradually plunging deepe[...] deeper in the Mediterr[...] zone. The answer must [...] come from the Mezzogiorn[...]

Desperation in Naples

WESTERN EUROPE is going through a recession. Of all the countries in the European Community, Italy is the worst hit. In *Italy* the *Mezzogiorno*, the south, faces by far the most acute crisis. And in the south the crisis is most heavily felt in the self-styled capital of the Mezzogiorno, the city of Naples, with its 1.5m. people living in often desperate and overcrowded conditions, scratching a livelihood, thanks to their *enormous reservoir of inventive*ness and instinct for survival. In these terms, the first Communist mayor of this major southern post, Signor Maurizio Valenzi, summed up what is perhaps the country's single *biggest* urban problem.

In one of the city's main boulevards, Via Roma, stands *the imposing headquarters of* the Banco di Napoli. In terms of assets, it is the sixth largest bank in Italy. It has more counters than any other commercial bank in the country, some in desperate, isolated villages in the south where a local post office with a couple of clerks could quite easily handle the relatively modest turnover of weekly business. Yet the bank, which employs 13,000 people and has a further 8,000 pensioned employees, cannot close them down as economic logic would dictate. Of its total *annual deposits of some* L7,000bn., about 45 per cent. are absorbed by the bank's compulsory investments in low yielding bonds and by minimum reserves requirements. Another 35 per cent. represent credits extended to the *local* authorities or regional State bodies. Only 20 per cent. is left for the economy as such. By international standards, the Banco di Napoli is no ordinary bank.

Debts

Nor indeed is Naples an ordinary city. Its single biggest industry is the town hall, employing 21,000 people. It has accumulated enormous debts *with the banking system* and *in* particular with the Banco di Napoli. Year after year its debts are rolled over together with the interest due. Now, for the first time following the introduction of emergency Treasury *measures, its* debts will be consolidated.

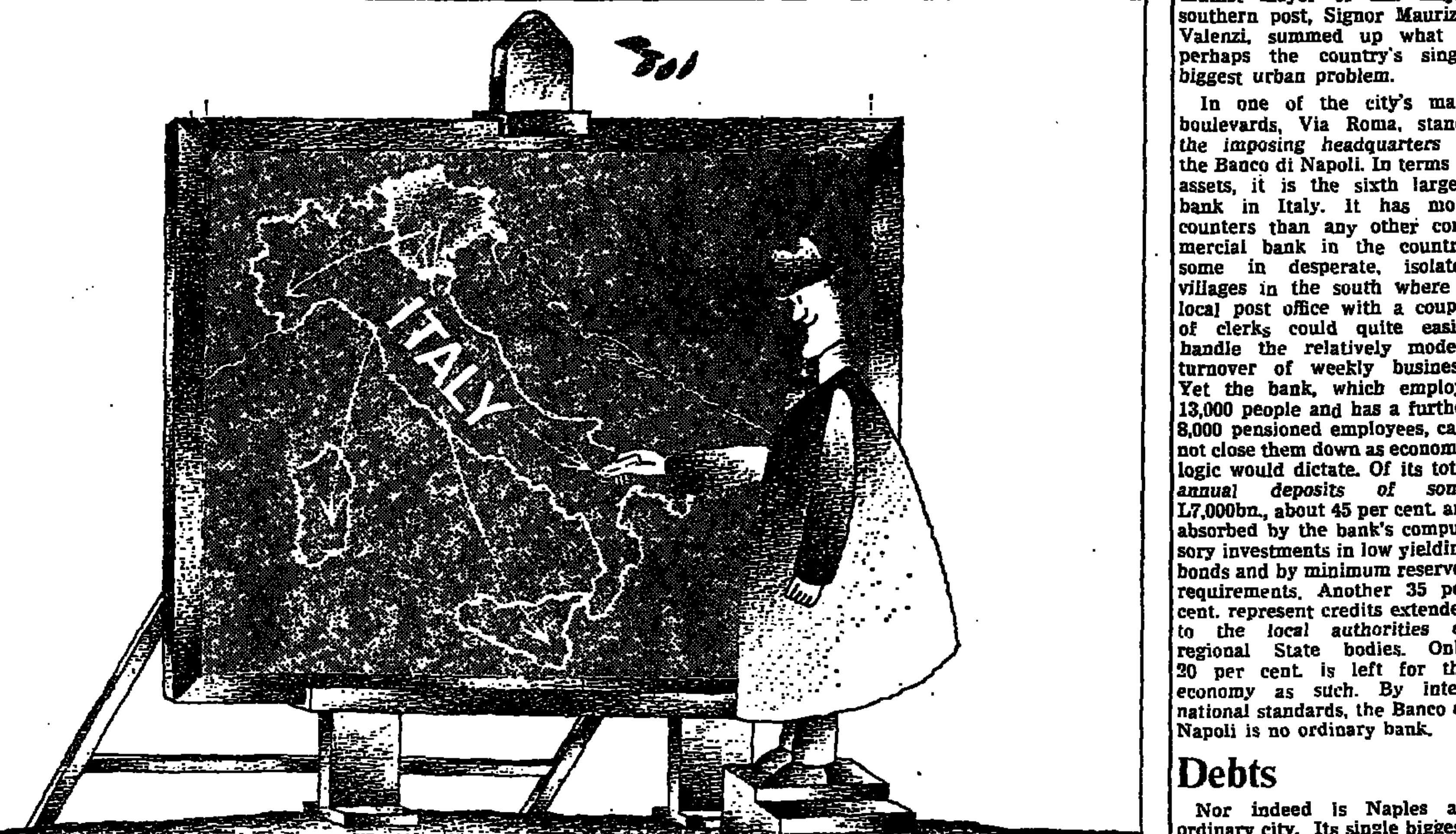
In many ways, the city and its surrounding region highlight in concentrated form the most dramatic aspects of the country's current crisis. The problems *are enormous and, although* different, they are all interrelated. Above all there is unemployment: of the region's 2.8m. people, more than 220,000 are unemployed. In the special employment lists for young people, some 42,000 youths had signed up at the end of last August. At the end of the year, the figure had risen to 47,000.

The unemployed have organised themselves in their own union of the unemployed. Jobs are sold on the black market. And while thousands are looking for employment, there are thousands of people with two or three different jobs—working as a messenger in the town hall at the same time as being employed with the railways and conducting their own private activities. Every day there are demonstrations in the streets of Naples which sometimes degenerate into riots. Those who cannot find jobs take to thieving, prostitution or the *flourishing contraband trade.*

There is then the problem of overcrowding and pollution. The city's hospitals are at breaking point: thousands live in the maze of the old Spanish quarters in decaying buildings: property speculation has destroyed practically every tree in Naples; the streets are filthy; the Gulf of *Naples is polluted*—soldiers had to be called out last summer to prevent people from swimming in the sea; and the rate of infectious diseases is the highest in Italy — memories of the cholera epidemic are still vivid.

*Local government or mis*government has exacerbated the already chronic situation of Naples—not only in terms of the dire financial difficulties of the Town Hall and other local bodies. The massive exodus of the rural population of the south towards the city was never properly monitored. Naples became a major *crossroads for the southerners* who went up north to seek jobs and beyond the border to France, West Germany and Switzerland. With the recession, they are now returning in increasing numbers, but instead of moving on south from Naples they are now stopping and settling in this over-

CONTINUED ON NEXT PAGE



ITALY VII

Islands retain their identity

ABOUT THIS time a few years ago, preparing then as now for the forthcoming World Cup, the Italian national soccer squad travelled to Cagliari in Sardinia for a friendly international with Spain. Some organisational contretemps, coupled with a spot of genuine illness, resulted in the fact that a couple of celebrities from the local Cagliari team were not selected for the national side. As a result, the Sardinians turned out in force for the match, cheered the visiting Spaniards to the echo and proceeded to pelt the Italian players with rotten fruit.

The incident caused an uproar "on the mainland," with the Italian Press demanding apologies all around, while the local Sardinian newspapers—and most Sardinians — responded somewhat tongue in cheek to the effect that it was quite logical to cheer for the visitors. After all, Sardinia had been occupied for centuries by the Spanish! It is more than an apocryphal story, indeed it is true, but it does point up something important about the Sardinians, and to a lesser but significant extent, about the Sicilians, which is to raise the question as to whether they are really Italians at all, or merely the inhabitants of offshore islands which happen to be close to the Italian mainland.

Sicily and Sardinia are, of course, both constitutionally part of Italy but the islands are places apart, and their peoples are different and they feel it. True, most of them do not want to make much of this difference in public, and certainly not to strangers, since Rome still holds the purse strings and remains the seat of real power—much of which, incidentally, is exercised, whether directly in politics or through the civil service, by Sicilians.

Separation

But the feeling of separation is there, and it is not only geographic. There are, in fact, in both islands separatist movements, although they are not taken too seriously and, for all practical purposes, have no real weight in electoral terms, but their very presence underlines the popular mood. Rome is a place from which to get money, hopefully with the minimum of domestic interference in Sicilian and Sardinian affairs, and both islands do enjoy a considerable degree of local autonomy. They are free to raise their own taxes, and to spend their own money, defence and foreign policy considerations apart. In real human terms, they are also poorer than any of the other Italian regions, and increasingly they want to know why.

Of course, they actually know the answer, which has not only to do with their physical separation from the mainland and the relative harshness of the terrain on both the islands which, together, represent getting on for 12 per cent. of the total Italian population. Neither the Sicilians nor the Sardinians are particularly good at helping themselves, and both have shown a marked reluctance to invest whatever personal resources they have on their own doorsteps. Industry on both islands is from the mainland, predominantly from the major state, semi-state and private conglomerates like Montedison, ANIC, the chemicals subsidiary of ENI, Rumianca, Liquichimica, Fiat and SIR, the troubled chemicals group which to-day is still just about the largest single industrial entity on Sardinia.

Most, if not indeed all, of these groups have located enterprises on the offshore islands from a combination of political direction and generous state funds. The investments have largely been capital intensive in two small economies crying out for labour-intensive projects to absorb unemployment levels way above the national average. Most of them have promised a range of satellite industries around the central mass, but few have delivered, in part because it has just not been possible within the kind of industrial development policies advanced until now by the regional authorities. Many Sicilians and Sardinians (who themselves have—or claim to have—little or nothing in common) combine to allege that "Rome wants to keep us poor." They make up not the depressed south of Italy, but the south's south—and to this day a civil service posting to Sardinia is seen as a punishment for some wrong-doing, or for getting on the wrong side of some important national political figure. Certainly the island is now free of malaria, if not altogether of bandits, but the reputation lingers on.

On both islands, physical infrastructure is weak, and indeed this is one reason why only the major national industrial groups could afford to set up projects there, since new industrial units often had to be self-contained—and large enough, both in their concept and their backing, to provide most of their own essential ancillary services, including water, drainage, roads and such like. The concentration of industrial complexes in the Augusta/Siracusa area, coupled with the deep-water facilities along the intervening coastline, has made this part of eastern Sicily one of the main oil refinery and petrochemicals concentrations in Western Europe. In Sardinia, near the capital, Cagliari Montedison has reorganised the old lead and zinc mines, and nearby at Sulcis-Iglesiente there is a large, if now under-utilised, alumina plant to treat imported bauxite. With the U.S., Sicily is still the only other producer in real quantity of sulphur, to-day as always a vital commodity.

But all this development—on both islands — has, in a real sense, been imported, with precious little involvement by the natives. This, generally, is also true even in the developing tertiary sector, and the relatively boom tourist conditions of recent years have again been exploited by mainlanders, or Swiss, German, Belgian and British entrepreneurs who have built hotels and associated facilities.

A street market in Alghero, Sardinia.

Lacking

What, of course, has been lacking is money, initiative and industrial know-how, especially perhaps on Sardinia, where the people are generally introverted in most senses of the word, yet they reject advice and guidance from "abroad" which means just about anywhere outside of Sardinia. On both islands there is a crying need for developing the agricultural base (Sardinian fruit merchants still offer imported grapefruits for sale, as just one case in point) principally through the wider development of co-operative farms, given the existing fragmentation of land holdings. Economic analysts were saying this more than 20 years ago, but nothing much has happened, although in Sicily, in particular, some small progress is being made. For instance, more and more Sicilian wine is now being exported by bottle, but still only in a tiny fraction of the total output.

Land fragmentation is also aggravated by the traditions of the people. A Sardinian farmer with a smallholding and three sons will divide up the farm three ways. More damaging still, although everything is, of course, relative, a mother with a single gold chain and two daughters will break it in two. The sentiment is impressive, but the results destructive. But then depending on one's starting point on the mainland, and certainly against the background of the industrial north, both of these islands are really a couple of centuries removed, attractive to the visitors for all that, but in economic terms facilitating no great advance for close on 5m. Sicilians and 1½m. Sardinians.

Yet if they represent the depressed southern region of Italy often multiplied many times, they show signs of not being proportionately backward in political terms. On the contrary, there is a saying in Rome that "what Sicily decides to-day, the country will follow tomorrow." It is not always so, yet an embryo accommodation between the long-ruling Christian Democrats and the Communists had surfaced in the regional administration in Palermo before the concept had taken hold in Rome, and the Sardinians, too, initiated early moves in the same direction although without quite finalising them, no doubt a reflection of the caution for which the islands' people are notorious.

But then perhaps Sardinia in particular has some raw material on which to build Antonio Gramsci, who founded *the Italian Communist Party*, was himself a Sardinian, and so too is the party's present Secretary-General, Sig. Enrico Berlinguer, who was born to upper middle class parents in Sassari, not far from the home of his cousin, Sig. Francesco Cossiga, the present Christian Democrat Minister of the Interior. It is a kind of family mafia, but the more real and notorious thing still thrives south across the water in Sicily.

D.J.C.

Naples

CONTINUED FROM PREVIOUS PAGE

crowded port. And together with the rural exodus, which severely damaged the agricultural base of the area, the lack of any effective long-term industrial and development policy gradually eroded another traditional sector of the region's economy composed of a myriad of small artisans.

The recession and the oil crisis worsened the problems. In a sense, Naples represents to-day one of the most poignant examples of the Italian steel crisis. At one end of the city, crammed by buildings, is the Bagnoli steelworks, one of the oldest in Italy with a current annual production capacity of more than 2m. tonnes. It is controlled by the State steel conglomerate, Italsider, and is expected to represent a total loss of L750bn. for the State steel giant last year. The archaic plant was to have been scrapped and replaced by a new integrated steel complex with a capacity of 10m. tonnes a year to be built outside Naples.

Dropped

In the wake of the world steel crisis the project was dropped. The Italian authorities subsequently introduced proposals for the restructuring of the entire steel industry which included a rigorous reconstruction programme for Bagnoli, involving the reduction of the plant's workforce from 7,000 people to 5,000. In the face of union opposition, the authorities have now agreed to amend their earlier proposals to maintain employment levels and to inject some L450bn. of new funds for the Bagnoli reconstruction programme. They hope that the plant will eventually at least break even. But clearly the overriding issue is a social rather than an economic one.

Indeed, there is now a growing recognition on the part not only of the authorities but of all the country's political forces, including the Labour movement, the Communists and the Christian Democrat Party, that the problems of Naples and its area must be one of the priorities of the new Government. A commission to deal with it is now being set up. The proposals include a programme to promote more viable industrial initiatives in the region, to develop small and medium-sized industries, the agricultural and tourist sectors, and a recovery in popular housing ventures.

Agreement may also finally be reached on a number of outstanding infrastructure and construction projects, including a new so-called Centro Direzionale, a satellite town grouping together the city's administrative departments which are now crowded into the chaotic centre of Naples. This project will involve an investment of some L600bn. and, although not a productive investment as such, it will provide in the short term a considerable number of new jobs and will ease the city's overcrowding. Work is also now being carried out to clean up the Gulf of Naples.

But in Naples the population is still sceptical of all the good intentions now being voiced. There may be a truce in the political battle for control of the city, but it is unlikely to last long. All the promises of the past under the city's first Left-wing administration have so far come to nothing. There is more disillusion in the air than hope. According to the man in the street, only a "miracle" can save Naples.

P.B.

Foreign policy commitments

WHEN EARLY last month Italy's long-ruling Christian Democrats (DC) decided finally to accept the voting support in Parliament of the Communists (PCI) for a new minority DC administration, a formal party statement made it clear that the country remained firmly *committed to the Atlantic* Alliance and expected that all the parties backing the Government would make this clear in their various pronouncements. In other words, if the PCI was finally getting a direct role in *the governing formula, it had* a responsibility to be seen to share a commitment to the main tenet of the administration's foreign policy.

What of course the DC was doing was underlining for the Americans and for Italy's other partners in NATO the principle that acceptance of the Communists in the parliamentary majority did not represent any alteration to the country's foreign policy. Yet the real significance was that the ruling party felt the need to issue such an assurance.

After all, the Communists have long insisted that they as a political party accept Italy's continued membership of NATO, as indeed they accept all of the country's other alliances. True, the acceptance is somewhat qualified, for the PCI's public argument is not in support of NATO as such, *but rather an assertion that any* unilateral withdrawal could upset the present East-West military balance which, in the Communist global view, is a stabilising factor in the interests of world peace.

The important factor, none the less, is that the DC felt the need to issue a reassuring note to Italy's friends in the West against a background of speculation that direct Communist participation in an Italian Government would cause both NATO and the European Economic Community to review Italy's continued membership.

Risk

It was argued—and no doubt will be again—that this would be a very real risk in the case of NATO, since Italy is a member of the Alliance's Nuclear Planning Group and thus has access to a great deal of restricted—and some highly classified—information. The theory, *and almost certainly the practice* too, is that PCI Ministers in an Italian Cabinet would be privy to some of NATO's top military secrets, although other voices have argued "that the Russians probably know most of them anyway."

For the moment, however, this situation does not arise, since *the political compromise allowing* for the formation of the new Andreotti Government fell short of direct PCI participation in Cabinet. Equally, and again for the time being at least, there is no change in Italian foreign policy.

The country remains committed firmly to the Western Alliance and is an enthusiastic supporter of the EEC, of which it was a founder-member. Indeed, the Italian Parliament was first among the Nine to endorse the principle of direct elections to the European Parliament, and there was considerable disappointment in Rome over Britain's failure to act so that these elections *could take place on* schedule next year.

Disappointment—yes, but as Mr. James Callaghan discovered when he visited Italy last year, there has been no real irritation. The explanation for this is important, for it underlines a key consideration—in sentiment certainly, but also in more concrete ways—in Italy's attitude towards Europe as a whole. This is what one could term an Anglo-Italian axis, reflecting in a sense a determination by Rome to look across Europe to London for a close partner, not merely in an Anglophile mood, but (deep down) for a partner to set against the risk of a Europe *dominated* by the French and the Germans.

It is more of a seen-and-felt affinity with Britain than any direct hostility to a Franco-German axis, yet there is a residual and deep-rooted anti-German feeling in most Italians. It lingers on, despite admiration for Bonn's economic muscle and *the fact that the Bundesbank* has been a good friend to Italy when the lira was in real need. It has of course something to do with Fascism and the Hitler period, but one can also sense the notion that the British too *are good at muddling through* somehow whatever the apparent odds, and this surely applies even more particularly to Italy. The reflection seen is useful, even perhaps reassuring.

Within Europe and the Western Alliance as a whole, Italy has a strategic role to play in the important Mediterranean *theatre, and of course Nato's* southern command is centred in Naples. Its geographical position dictates that any government in Rome takes a special interest in the Mediterranean area, and right now it shares with France responsibility on behalf of the EEC for the dialogue with the Mintoff administration in Malta covering possible defence and economic considerations after the final British withdrawal from the island in March next year.

Equally there is a feeling of some responsibility for assisting in solving the various issues in dispute between Greece and Turkey — and not just over Cyprus—and Rome was one of the first governments to endorse — seemingly wholeheartedly but with a number of private reservations—the application by Athens for full membership of the EEC. These reservations have of course to do with agricultural policy and in particular with fears in Italy over potential competition in the agricultural area (and especially over wines) from low-cost Greek producers.

Diplomatic

Yet while Europe (in economic terms) and the Western Alliance (in terms of ultimate security) dominate Italy's foreign policy considerations, the country's diplomatic spec*trum is not so restrictive.* Relations with Moscow are said officially to be "right and proper," if not over-warm in practice, and Italy maintains a full scale mission in Peking. There are increasingly close contacts with the OPEC countries in view of Italy's need to import virtually all its energy requirements, and also throughout South America. Traditionally the country has had contacts in important parts of Africa.

Yet many of these wider diplomatic contacts are essen*tially in furtherance of com*mercial contacts, not just direct sales following the flag but an ever-increasing penetration by Italy's large-scale engineering groups around the world. Rarely a day goes by, and certainly no single week, but some high-level foreign commercial delegation is visiting Rome, and Dr. Rinaldo Ossola, the Italian Minister for Foreign Trade, must be setting up something *of a world record for ministerial* travels abroad.

Whatever the recurring crises —political or economic—at home, Italy's trade drive abroad is certainly paying off. It is an aside, but an important one for all that, to report the comment heard frequently in Italy: "If only Italians would work as hard at home as they do abroad." It is true.

To give muscle to its foreign policy, in theory at least, there are Italian armed forces, although in fact they are intended and maintained as a *defensive force.* Military service is still compulsory in Italy, with some two out of every three of the 350,000-strong combined armed forces being conscripts. Italy, broadly speaking, has a population similar to those of *both France and Britain and*, in terms of relative GNP, spends on defence not much less than Britain — and with almost equal domestic party political controversy.

Numerically, the Army pre*dominates with roughly 240,000* officers and men (three in every four are conscripts), followed by the Air Force with 70,000 and a small but relatively mod Navy of more than 40,000. Al to the Army is the para-mili Carbabinieri, effectively national police force s 80,000 strong.

Setting aside the rin declarations each year to " citizens under arms" on the *niversary of the declaration* the Republic, most mili attaches observing the s from Rome are inclined to doubtfully when asked in pr about the likely effectivene the Italian armed forces " *came to the crunch."* Yet t is a general consensus th recent years moral has proved considerably, as ha equipment provided to all services.

Like much else in Italy *Services have that extra* of fairly useless bureauc but it should be rememl that much is being done i educational and social through the system of mi service to enable thousan *young men each year to* a better start in Civvy S In a country like Italy it useful indirect charge or defence budget, less q fiable of course in strict mi terms than, say, the troop centrated close to the I border with Yugoslavia (" Tito" is a fairly constan sideration in Italy's fo policy), but an important off in social terms for all

D

Farms beset by problems

AGRICULTURE, LIKE energy, represents a colossal strain on *Italy's balance of payments. Last* year, the country's agricultural deficit totalled nearly L3,000bn. or close on £2bn., despite a 3 per cent. decline in real terms of food imports and an 8 per cent. drop in imported agricultural raw materials due to the continuing economic recession and the subsequent slowdown in domestic consumption. At the same time, however, farm gate production last year fell by 1 to *1.5 per cent.* compared to 1976, partly as a result of a particularly bad spell of weather but essentially because of the traditional structural and historical problems that have afflicted Italian agriculture during the last decade.

Farmers in Naples using a bulldozer to destroy thousands of tons of peaches last year. They were angry about the low price of the fruit.

But unlike energy, of which Italy has to import nearly 80 per cent. of its total annual need, agriculture once formed the basis of the Italian economy and *indeed was instrumental in the* process of rapid industrialisation that has taken place since the mid-1950s, and which has transformed Italy from an agricultural country into an essentially industrial nation. In return, industry has done little for agriculture except continue to erode its already weakened structure.

Dropped

In the early 1950s, more than 42 per cent. of the country's population was directly employed by agriculture as against 32 per cent. in industry and 25.5 per cent. in services. By 1961 the agricultural population had already dropped to 28.9 per cent., while industry now represented 40.5 per cent. This deterioration has continued. It is now estimated that only about 15 per cent. of the country's working population is currently employed in agricultural activities compared to nearly 44 per cent. in industry.

A combination of historical and social factors are at the root of this decline in the country's agricultural population and the subsequent distortions this has provoked. From the beginning, repeated land reforms have never been motivated by a serious and concerted long-term view for the development of this *crucial sector of the country's* economy, but rather by electoral considerations especially at a time of the apparently irrepressible advance of the Communist Party. Put crudely, land reforms were yet another way of administering political patronage first by the Christian Democrats and later, once in regional power, of the Communists too.

Concurrently, there were the big industrial interests which sought to attract the rural labour force to the new factories in the cities. At the same time, by depleting the country's rural base, farmers and landowners were forced to turn more and more towards mechanisation in order to maintain competitivity. *But while mechanisation helped* to modernise agriculture, especially in the northern and more prosperous agricultural regions of the Po Valley, this process was never adequately monitored. *It led to a random* overmechanisation of farms which sent production costs rocketing. This was further exacerbated by the low quality of farm management and accounting, even in some of the most modern farmsteads in Lombardy and the central region of Emilia Romagna.

In the south, the consequences were even more disastrous. Unlike the north, where only about 5 per cent. of the population is engaged in farming, agriculture in the south is still a major employer with more than 11 per cent. of the population *living* directly off the land. The process of mechanisation never came to the south as it did in the north. Techniques remained archaic and feudal despite efforts and capital to improve *irrigation* and set up a necessary network of infrastructures to enhance, both in quantitative and qualitative terms, the agriculture of the Mezzogiorno.

The process of industrial transformation had another major disruptive effect. With it came a massive consumer boom. In turn, the country's domestic agricultural sector could no longer keep pace with it. Not only did it help to accelerate the rural exodus to the cities, *but it had a drastic effect on the* country's food consumption patterns. Only 25 years ago, Italy was able to feed itself from its own agricultural output. *By the* early 1970s, however, the situation had completely altered, and while, for example, domestic meat production had risen to about 23m. quintals, consumption had already reached 34m. quintals. Put in other terms, while in 1936 average per capita consumption of meat amounted to barely six kilos, last year the average totalled about 40 kilos. Emphasis in farming therefore increasingly shifted to quantity rather than quality. This increase in demand was not only limited to meat. In other sectors *too, like cereals and dairy* produce, demand overtook production.

A further blow for Italian agriculture came with the country's membership of the Common Market. The Common Agricultural Policy has effectively concentrated more *on support policies which funda*mentally have protected the consumer rather than the producer. EEC farm subsidies are widely regarded here as a stimulus to high costs and often inefficient production, and the *Italian agricultural authorities* have repeatedly campaigned against the Community's compensatory price mechanism which, they claim, has acted as a disincentive to local producers and encouraged imports *from countries* like West Germany with a more developed and modern agricultural structure.

The Italian authorities are also concerned over the eventual enlargement of the Community. There is indeed a deep-rooted fear that the Mezzogiorno in particular will be made to pay the price of enlargement. In terms of per capita wealth and agricultural produce, the south of Italy has probably most in *common with the applicant* countries, and enlargement could therefore have direct and damaging consequences for this vast underprivileged area of the country. Italy has already asked firm guarantees from Brussels for the protection of agriculture in its depressed south, where production is mainly concentrated on olive oil and wine. *The enlargement negotiations* are already sowing the seeds of a long drawn out and ferocious battle. The precedents are already there in the continuing so-called "wine war" between Italy and France. In exchange *for letting Greece, Spain and* Portugal into the Community, the Italian Agriculture Minister Sig. Giovanni Marcora has called, not alone, for a revision of the Common Agricultural Policy.

At the same time Sig. Marcora has launched an agricultural recovery programme, *known as the "four leaf clover* plan," aimed at promoting domestic meat and cereal pro*duction in the north* and modernising agriculture in the south. It is an ambitious plan. Over the next ten years, the government intends to invest some L.5,600bn. (£3.7bn.) in agriculture with the emphasis, in this order, on irrigation, animal husbandry, fruit production and forestry. But it is not just a question of capital. If the recovery programme succeeds in the long-term, it will have to be backed up by a widescale education process, especially in the south where agriculture is as backwards, if *not more so, than in future Com*munity member countries like Greece or Portugal, not to mention Spain.

The task is a formidable one. It will also involve in the longer term a general reform of the entire food wholesale and food manufacturing industries which are currently more closely *linked to the Italian city con*sumer than to the farm producer. Indeed, in the meat business alone, the trade is controlled by barely 13 large companies which hold a virtual monopoly.

Prerequisite

The development of an efficient food processing industry is another vital prerequisite for the development *of agriculture as a whole. In* this particular field, the Italian co-operative movement has recently made some major but still limited headway. There are now plans to co-ordinate all the state's interests in this sector *on a more rational scale than in* the past through a new state-controlled food manufacturing and processing agency. In turn, this is expected to generate employment in the south and set the basis for the type of *industrialisation more adaptable* to the Mezzogiorno than the previous unsuccessful ventures in capital intensive industries.

But these are all long-term aims requiring a sustained effort and the political will to enforce them. In the short term, however, Italy's agricultural deficit could be sharply reduced if the authorities could educate the *Italian* consumer away from eating only veal and the choicest meats. But even this is an uphill battle. Although the government has attempted to reduce the growth in consumption by a series of devices, including raising value added tax on meat, as the Communist Party has repeatedly pointed out it is now practically no longer possible to change the consumption patterns of Italians. The Communists too have campaigned for "austerity" as a form of "social renewal." But the ordinary Italian, as long as he can find some money in his pockets, seems to continue to eat *bistecca and vitella di latte*, as many times a week as he can. The days when pasta was the staple diet of Italians are long gone by.

P.B.

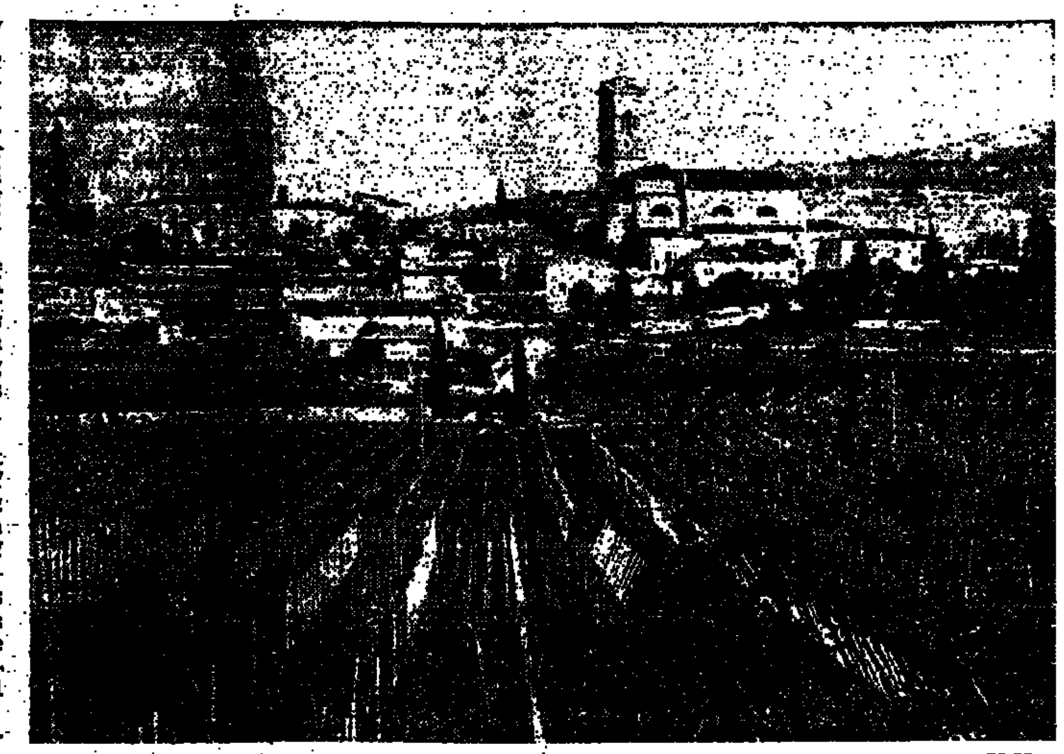
Exports underpin the economy

EXPORTS WERE the mainstay of the Italian economy in 1977, a year marked by a low level of imports and slack industrial and consumer demand at home. Italian sales abroad last year rose 8 per cent. in volume, well above the overall growth rate of 5.5 per cent. for international trade as a whole.

This boosted Italy's share of world markets and helped cut the nation's trade deficit to less than half of 1976 levels. In 1978 the Government is hoping to repeat this success. Exports are officially targeted to growth rates of at least 1 per cent.

The decline of the lira last year against the currencies of Italy's major world trading competitors helped to maintain the attractive price edge of Italian goods abroad. Aggressive selling by Italian exporters continued to open new frontiers to a nation which has been one of the hardest hit in the industrial world by the rise in oil prices in the last five years.

Italy is almost entirely dependent on imported energy, and oil imports last year cost it L7,391bn., a 9 per cent. increase on 1976 despite a 2.3 per cent. fall in the volume of oil imports. But trade in other goods showed a respectable surplus of L5,172bn.



Wine has been one of Italy's more successful exports, particularly to the U.K. These vineyards are at Valpolicella in the Veneto region

This was more than four times higher than the previous year's figure and was a result of the rise in exports and a fall in imports caused by the slowdown in domestic business. The overall trade deficit for 1977 was L2,219bn., a 60 per cent. reduction from 1976 levels.

Continued growth in exports this year will need a sharp curb on rising Italian labour costs, as Prime Minister Giulio Andreotti has repeatedly made clear in and out of Parliament. With the inflation rate this year officially forecast at 13 per cent., the rise in the lira costs of Italian exports is also likely to require further devaluation of the lira, at least against major European currencies. The fall in the dollar, by contrast, has proved a boon to Italy over the past few months. It has helped maintain overall stability for Italian currency markets and has sharply reduced the price of essential imports like oil.

Peripatetic

One factor aiding Italian exporters has been the comparative lateness of Italy's industrial revolution, which has endowed them with a more modern generation of industrial plant than many of their competitors. Most recently a new contribution has come from the Government itself in the form of a streamlined system for export credit finance and insurance which Government officials hope will soon put Italy on a par with Britain and France in this sector.

By this summer, when the new law comes into full operation, Italy will for the first time be able to provide official export credit insurance on short-term as well as medium-term credits. This will help many small companies in particular which hitherto have been unable to grant credit to their clients because of lack of insurance.

The new law is the brainchild of Italy's peripatetic Foreign Trade Minister, Dr. Rinaldo Ossola, and at a later stage there are plans for giving Government guarantees on loans to Italy by foreign banks and governments to finance Italian trade with third countries.

In just under two years of office, Dr. Ossola has been a constant visitor to the Middle East, Eastern Europe and Latin America in search of both contracts for Italian companies and finance for Italy's balance of payments. Triangular finance deals of the type envisaged have so far not been concluded, but the spectacular purchase by Libya of a 10 per cent. stake in Fiat last year was an encouraging sign of the type of co-operation business leaders would like to see extended.

"Government export credit financing has been a major stimulus to trade between Italy and Eastern Europe, where Italy is alone with Britain among Western industrial nations in running an overall trade deficit. Groups like Fiat, the state engineering group Finmeccanica, and Montedison are negotiating major contracts with Russia and other Comecon countries, and this is one of the areas where Italy would like to apply the triangular finance project envisaged under the "Ossola law."

Trade with the OPEC countries has been one of Italy's biggest successes, with Italian exports to the OPEC area rising to 13 per cent. as a proportion of total exports last year, from only 5 per cent. in 1970. This puts Italy second only to Japan in the rate of growth of its sales to the oil exporters, and underlines the traditional flexibility of Italian businessmen in dealing with their clients.

Companies like Fiat, the State oil group ENI, and Finmeccanica are at the forefront of international trade negotiations with OPEC countries. ENI is playing a leading role in the industrialisation of Algeria, where its subsidiaries are building oil and gas pipelines and textile plants and training the workers to operate them. Also in Algeria, Fiat is currently competing with Renault of France and West Germany's Volkswagen for a prestigious $2bn. car plant contract. Italimpianti, member of the State IRI group, is building a $2.5bn. steel plant at Bandar Abbas in Iran, and is negotiating for a similar contract in Brazil.

But of all world markets the EEC is by far the most important to Italy, absorbing almost half of Italian exports and providing a comfortable surplus on trade in 1977. West Germany and France alone account for 30 per cent. of Italy's foreign sales, while trade with both Britain and West Germany gave Italy a surplus of several L.100bn. in 1977.

But sporadic skirmishing with Italy's Continental EEC neighbours over what these nations see as dangerously high levels of imports of Italian shoes or ladies' tights can cause diplomatic headaches to Italian Government officials and a trade war in steel was almost threatened last autumn because of heated French and West German reaction to cut price sales of steel products by the small private steel companies of the northern valleys around Brescia.

On the Italian side criticism is frequently levelled at the EEC's Common Agricultural Policy, which officials in Rome claim protects the interests of other farming nations like France to the detriment of agriculturally underdeveloped Italy. Meat and grains are costly import items for Italy, while Italian fruit exports to the EEC do not receive the same privileged treatment given to some other farm products.

By a Correspondent

Alfa Sud failure

IT IS the latest and most remarkable example of a "Cathedral in the desert"—one of those capital-intensive industrial white elephants built to promote the industrialisation of Italy's depressed South. It stands in the suburbs of Naples, the epicentre of the crisis of the Mezzogiorno, where some 8 per cent. of the 1.5m. inhabitants are officially unemployed. It took barely three years to build at a cost of some L330bn. Since it came on stream in February 1972 the Alfa Sud car plant at Pomigliano d'Arco near Naples, built with the precision of a Swiss cuckoo-clock, has represented one of the biggest single problems of its parent group, the giant Italian State concern Istituto per la Ricostruzione Industriale (IRI).

It has a workforce of more than 15,000, including 12,700 practically all coming from the Naples region. It was expected to produce about 1,000 cars a day by 1974. Currently it produces on a good day only 450 cars. Its losses last year are estimated at L95bn., or about £60m. Its short history of troubled industrial relations has already gone into local legend.

Strikes

In 1974 the plant was crippled by 1,352 unofficial strikes. The number rose to a record 1,422 the following year, and subsequently dropped to 1,277 and 882 in 1976 and 1977 respectively. It has been perhaps the most expensive social welfare handout to promote employment in an area of intense unemployment ever made by the Italian authorities. And until a recent agreement was reached with the unions, it looked as if after hardly five years of productive activity the venture was on the verge of being wound up.

The State company attributes the failure so far of the Alfa Sud project to two basic factors. The first is the result of what it claims to be "bad luck." Projected in the sixties at a time when the Italian economy was in full swing, the idea was to create in an area of more than 2.5m. square metres a model integrated car manufacturing plant with a complete uninterrupted production cycle to produce a slightly up-market economy car with the prestige trade mark of Alfa Romeo. The plant was originally designed to produce only one model, essentially for the domestic market with a modest 25 to 30 per cent. production for export.

But by the time full production started the domestic market had dramatically slumped in the wake of the oil crisis. Compared with the original target of no more than 30 per cent., exports now represent some 60 per cent. of Alfa Sud's overall turnover. This in turn has had severe repercussions on the original future revenue projections of the venture. More seriously, a major review of the recently completed plant has had to be made to adapt it to the different demands of the export market.

In the first instance it was no longer viable to produce only one model. Production, as it is now, had to focus on a range, albeit limited, of different models. But the plant had not been conceived for this purpose. It was therefore necessary to effect a whole series of changes and new investments to adapt the Pomigliano complex to its new market outlets, particularly West Germany, France and Britain.

To this effect the company now proposes to build a second plant nearby which will employ some 1,200. Although the go-ahead for the construction of the new plant has in theory been given, the project hinges on whether Alfa Sud can in the shorter term reach relatively sound production levels in the region of at least some 550 cars a day, or 150 more than the current daily average.

To improve productivity, the unions, the company and the shop floor workers recently reached an agreement aimed at improving industrial relations. This is perhaps the most delicate problem of Alfa Sud and lies at the root of its failure as an industrial venture. But in turn it is also the consequence of the nature of the project itself. As one trade union delegate recently remarked in Naples: "To build one of the most technologically advanced plants in Western Europe in an area with no industrial tradition to speak of is to ask for trouble." And trouble started from the very first day.

The company found it could not choose its own labour force. It had to take on all those workers who had been involved in the construction of the plant itself and who in a matter of weeks were transformed from builders or brick-layers into mechanical workers. Furthermore, it had no choice but to take on a mass of people with little or no industrial experience sent by local and regional labour exchanges, the policy being that each labour office was allocated a certain number of jobs at Alfa Sud. It led to abuses on a grand scale—the dishing out of jobs in the form of blatant political patronage or indeed the sale of jobs on the black market for sums as high as L 3m.

With all its industrial thinking geared to the north of Italy, Alfa Sud had to cope with the southern mentality. Even the unions themselves found it difficult and indeed practically impossible to control the new workforce. The rate of absenteeism beat all records, reaching peaks of more than 50 per cent. on certain days. A sudden wildcat strike involving no more than a handful of workers for barely half an hour would bring the entire integrated production line to a grinding halt.

The company is now hopeful that after the immense difficulties of the plant's first few years, the labour situation will gradually improve. It still believes, if somewhat cynically, that the Alfa Sud project was and is a sound one. It hopes that the plant will eventually be able to pay for itself. It acknowledges that errors were made. Perhaps, it says, it would have been better to build the plant in progressive stages rather than in one full swoop. It claims that it has fulfilled its original intention of bringing work to and establishing an industrial role in the Mezzogiorno's most depressed area. After all, as one State manager remarked, it forced the giant Turin Fiat private car group to establish a presence in the South at Cassino between Naples and Rome.

But the experience of Alfa Sud is unlikely to be repeated in Italy. While priority is to be given to the South to promote investment, the tendency is now to focus on a different kind of industrial development. Less dramatic, less spectacular maybe, but linked to the region's natural agricultural base. The concept is one of encouraging the establishment of small and medium-sized industries, promoting food processing and tourism, or, in the jargon, the "agro-tourist" business.

Meanwhile, at the end of every shift outside the impressive gates of the avant-garde Alfa Sud plant, a makeshift market composed of pedlars selling all kinds of goods, from vegetables and shoes to contraband radios and cut-price American cigarettes is a vivid reminder of the realities of the Mezzogiorno and of Naples.

P.B.

Nuclear option wins the day

AFTER SEVERAL years of public debate and private wrangling between powerful interest groups, the Italian Government and Parliament have finally decided that by 1985 Italy needs at least eight —*and perhaps 12—new nuclear* power plants each with a capacity of 1,000 megawatts.

The commitment, made after much hesitation, to the "nuclear option" forms the basis of the national energy programme that Industry Minister Carlo Donat Cattin presented last December. The plan followed guidelines drawn up by the Chamber of Deputies and the Government's Economic Planning Board.

Legislation is still necessary for carrying out the plan, and Italy's severely strained finances will be hard put to raise the cash needed for the proposed reactors. But the new programme represents a fairly broad, though uneasy, consensus in favour of the nuclear solution to Italy's energy problems.

Italy, along with Japan, is the most vulnerable in the energy *field of all the big industrialised* nations.

Domestic power sources are scarce and for the most part already *being expoilted*. No alternative sources of energy are immediately available at home.

The country's current enormous dependence on oil from the Middle East and Africa place a heavy burden on the balance of payments, the industrial cost-price structure, and the entire economy, and the prospect of further rises in the world market price for oil has been an added pressure for choosing the "nuclear option."

The government calculates that every one of the proposed 1,000 MW reactors will save L70bn. in hard currency that must now be used to purchase oil from abroad. But even if the *new reactors* foreseen in the government plan are functioning by 1985—which is considered unlikely—Italy will still *have to rely on imported oil for* some two-thirds of its energy requirements.

The two political forces that run Italy to-day in unofficial agreement, the Christian Democrats and the Communists, see eye to eye on the essentials of the national energy programme. But organised labour, a vital component of the Italian political system, is split on the issue.

The biggest trade union confederation, which is close to the Communists, endorses the plans *for new nuclear* power plants. The union says that the nation's need for an adequate energy basis to ensure full employment must override all other concerns. But smaller Italian labour groups have recently been echoing the warnings from the nation's small, but increasingly vocal, ecological lobby which has vowed to *fight* the nuclear energy programme all the way.

Critics of the nuclear programme speak of the enormous expense that the programme *will entail* in order to produce a relatively small quantity of energy in proportion to Italy's need. The anti-nuclear lobby *also feels* that the rapid development of alternative sources of energy is being hindered by the preoccupation with the "nuclear *option" that has been given* priority.

"It's criminal not to invest in the sun," said Professor Gianni *Mattioli, in a recent interview in* which he strongly restated his advocacy of the development of non-conventional sources of energy. *Professor Mattioli*, who teaches nuclear physics at Rome University and terms himself a "convert" from a pro-nuclear policy he held some years ago, says that the technological means to exploit solar energy, for example, could be developed in as little as three years.

The output of each unit would be small—only about ten megawatts per unit. But with 100 of them, the same 1,000 megawatts would be produced as from one of the planned nuclear power stations, and, Professor Mattioli adds, "their small size would make them suitable for distribution wherever needed, according to demand."

Other critics of the nuclear programme speak of the political implications of the allegiance the foreign countries —notably the U.S.—that would presumably be required if a resource-poor country such as *Italy is* to be assured of constant supplies of uranium. And the Italian Government itself, in its programme, has given only a vague indication of how it would handle one of the biggest concerns—storage of radioactive wastes.

Groups

On both islands, physical infrastructure is weak, and indeed this is one reason why only the major national industrial groups could afford to set up projects there, since new industrial units often had to be self-contained—and large enough, both in their concept and their backing, to provide most of their own essential ancillary services, including water, drainage, roads and such like. The concentration of industrial complexes in the Augusta/Siracusa area, coupled with the deep-water facilities along the intervening coastline, has made this part of eastern Sicily one of the main oil refinery and petrochemicals concentrations in Western Europe. In Sardinia, near the capital, Cagliari, Montedison has reorganised the old lead and zinc mines, and nearby at Sulcis-Iglesiente there is a large, if now under-utilised, alumina plant to treat imported bauxite. With the United States, Sicily is still the only other producer in real quantity of sulphur, to-day as always a vital commodity.

But all this development—on both islands—has, in a real sense, been imported, with precious little involvement by the natives. This, generally, is also true even in the developing tertiary sector, and the relatively boom tourist conditions of recent years have again been exploited by mainlanders, or Swiss, German, Belgian and British entrepreneurs who have built hotels and associated facilities.

What, of course, has been lacking is money, initiative and industrial know-how, especially perhaps on Sardinia, where the people are generally introverted in most senses of the word, yet they reject advice and guidance from "abroad," which means just about anywhere outside of Sardinia. On both islands there is a crying need for developing the agricultural base (Sardinian fruit merchants still imported grapefruits for *as just one case in point)* principally through the wider development of co-oper[...] farms, given the existing [...]mentation of land hold[...] Economic analysts were sa[...] this more than 20 years ago nothing much has happ[...] although in Sicily, in partic[...] some small progress is [...] made. For instance, more more Sicilian wine is now [...]ing exported by bottle, but only a tiny fraction of the output.

Land fragmentation is aggravated by the traditio[...] the people. A Sardinian fa[...] with a small holding and sons will divide up the three ways. *More dam[...]* still, although everything course, relative, a mother a single gold chain and daughters will break *it in* The sentiment is impressiv[...] the results destructive. then depending on one's *ing point on the mainlan[...]* certainly against the ground of the industrial both of these islands are a couple *of centuries* ren[...] attractive to the visitors f[...] that, but in economic *facilitating no great advan[...] close on 5m. Sicilians and* Sardinians.

Yet if they represent t[...] pressed southern region o[...] often multiplied many they show signs of not proportionately backwar[...] political terms. On th[...]trary, there is a saying in that "what Sicily decides [...] the country will follo[...]morrow." It is not alwa[...] yet an embryo accommo[...] between the long[...] Christian Democrats an[...] Communists had surfaced regional administratio[...] Palermo before the conce[...] taken hold in Rome, a[...] *Sardinians, too, initiated* moves in the same di[...] although without quite [...]ing them, no doubt a ref[...] of the caution for whi[...] islands' people are notor[...]

But then perhaps Sard[...] particular has some material on which to [...] Antonio Gramsci, who fo[...] the Italian Communist was himself a Sardinia[...] so too is the party's [...] Secretary-General, Sig. Berlinguer, who was b[...] upper *middle class* pare[...] Sassari, not far from the of his cousin, Sig. Fra[...] Cossiga, the present Ch[...] Democrat Minister of t[...]terior. It is a kind of mafia, but the more re[...] notorious thing still [...] south across the wat[...] Sicily.

Christine [...]

"A good place to make money"

ITALIANS ON the whole are good at saving money, better on average than the British or the Americans and, on a per *capita basis, the country is high* up in the European savings league table. Unfortunately, in the context of capital formation, *most Italian companies and*, even more so, the State itself are very good at spending it.

Industry's self-financing has been negative for years, and this is only partly due to a squeeze in profit margins. The availability of a wide range of special credit facilities combined with, and indeed sometimes linked directly to political pressures for investments which are more social than commercial, have developed an industrial policy which all too frequently is unrelated to market conditions, now or in the immediate future. Public administration has been in deficit for seven years. The annual budget debate no longer touches on the principle of deficit-financing, but simply on the size of the projected deficit which, in practice, is always exceeded anyway.

"Consequently," to quote a *recently-concluded* investigation by the Senate's Finance and Treasury Commission into the functioning of the Italian stock *exchanges*, "*while family* savings have doubled during the last decade, public and industrial deficits have, respectively, increased three and fourfold." And the deficits in some individual industrial cases are often enormous: Montedison, the troubled chemicals and fibres group, last month reported 1977 operating losses getting on for British Steel proportions, in fact averaging more than £6m. weekly.

Proposal

Montedison is, of course, only one in a very long list, its own notoriety being due as much to the nature of its peculiar state private sector mix, as to its actual losses, and the urgent need for a complete restructuring of its capital base. There are all too many others and, having surveyed this financially-troubled industrial scene, Dr. Guido Carli, the former Governor of the Bank of Italy and current president of Confindustria, the national employer organisation, came up with his controversial proposal that the banks and other credit institutions should trade off *some of industry's heavy debts* for new equity. Dr. Carli's successor at the Central Bank, Dr. Paolo Baffi, has, in a plan of *his own, watered down some of* the original Carli concept, not least with an eye to ensuring that the credibility of the bank*ing system itself does not* suffer as a consequence.

The operation has not, as yet, got off the ground in any formal sense, although of course the principle is not new in individual cases, more particularly with many of the smaller banks in the industrial north of the country.

There has also been recently the interesting decision by a group of banks to consolidate the debts of the vast SGI construction and property group (among its more celebrated investments was the Watergate complex in Washington, DC) once controlled by the Vatican and later by Sig. Michele Sindona, whose financial empire collapsed even more quickly than it was established.

But the banks' decision in the SGI case is no great precedent anyway, since they really did have little choice but to go along with a reconstruction formula which gives them a fighting chance of getting something for their equity in the future, against precious little hope of very much out of liquidation now. There was also a great deal of behind-the-scenes political pressure in this instance, not least to bring about some new activity in the depressed construction sector.

The banks may be a lot more selective in future, and the *Carli/Baffi variations* on a theme have not been greeted with any great enthusiasm within the banking system. Far from it, and there have been private mutterings that part, at least, of the rationale for the establishment in the 1930s of what is now the gigantic IRI industrial holding company was to release the banks from much of their then highly questionable equity, the very weight of which threatened to undermine their own credibility. Do we now, some bankers ask, rhetorically, want to risk returning to that situation?

The answer is, of course not, but the fact remains that much of Italian industry is now weighed *down* with a volume of (notionally short term) debt which *is* threatening to sink it. It is no longer a matter of making capital repayments, but often of meeting interest *commitments*, and in some cases interest is being rolled over, compounding (in both senses of the word) the nightmare of corporate treasurers who, admittedly in some extreme cases, do not know clearly by mid-month how that month's wages bill is to be met. Whatever the criticism of the Carli/Baffi plans, the actual problem is only too clear.

Ordinarily, of course, the stock exchange should provide at least a part of the answer, but in any serious sense of the term, there really is no stock exchange in Italy. The Milan Bourse, the most important component of the risk capital market, has been described to *this correspondent* as "no more than a bucket shop," and privately most brokers would probably agree. There is no shortage of proposals to reorganise and revive the stock *exchange (even the Communist* Party has its own), and the senate commission quoted above, after its examination *which included visits* to both London and Paris, has made a series of legislative proposals to the Government.

The proposals include an end to trading in blocks of shares outside the market (it is estimated that as of now only about 20 per cent. of business is transacted through the official market) and with equal rights *for all shareholders*; more power and authority for CONSOB, the stock exchange regulatory agency regulations *governing public offers for sale* and public placings; the reform of procedures for the examination and appointment of brokers and controls against insider trading.

Overdue

These measures, if enacted, would help, and they are certainly long overdue—the last Government, through the so-called "Pandolfi Bill" (Sig. Filippo Maria Pandolfi, then Finance Minister, now in charge of the Treasury), had its own useful proposals, including harmonising the fiscal treatment *of various forms of investment* in securities. But the fact remains, on the basis of the most recent research, that only *about 2 per cent. of private* savings goes into shares. The figure was some 20 per cent. in the mid-1960s.

As an investment medium, the stock exchange just does not compete, and about half of all families' savings go directly into bank deposits, a two-thirds increase over the last decade. The questionable, if not quite justified, reputation of the stock exchange apart, the attraction of double digit interest rates with the banks and on Government paper is obvious against an average market yield of 4 to 5 per cent. Needless to say, the prospect of capital gains does not count for much, given that the bourse index last year hit a 23-year low.

The banks, meanwhile, using a very attractive spread between deposit and lending rates, turn in (with one or two notable exceptions) very handsome profit figures, even on the basis of public disclosure which conceals a fair amount, and despite being generally overstaffed and being obliged to pay, by Italian standards, a high level of average salary. The counter service for the public, on the other hand, is anything but high, and the should-be simple task of cashing a personal cheque requires three different transactions—of course by three different officials.

Proportionately, most foreign banks operating *in Italy* do even better. They are not really interested in personal business, have a very compact staffing structure and fund their activities—mainly, but not exclusively, on behalf of foreign companies here—through the local money market where, again, a generous spread virtually guarantees them a healthy balance-sheet. Said one of them: "Whatever else you may say about Italy, it is a good place to make money." Indeed, and it is only *the tight controls of* the Bank of Italy which prevent even more of the foreign banks being directly represented here *and those already in Italy from* extending their operations.

D.J.C.

The Vatican makes no concessions

JUDGING FROM the open and at times sensational defiance of the traditionalist French Archbishop Marcel Lefebvre the Vatican is so to speak apparently swaying to the Left. All the visible signs are seemingly there. Apart from the abolition of the old Latin Mass, there are of course the increasing occasional public meetings between the Pope and Sig. Giulio Carlo Argan, the art historian and *Communist Mayor of Rome. The* Italian Communist Party Secretary General, Sig. Enrico Berlinguer, was seen not so long ago chatting at some length during a diplomatic reception with the Vatican's East European specialist, Cardinal Casaroli, himself one of the principal promoters of the reconciliation between the Roman Catholic Church and countries of the Eastern Bloc.

Over the last eight months, two East European leaders—Mr. Janos Kadar of Hungary and Mr. Edward Gierek of Poland—have been received by the Pope in the course of their respective official visits to Italy, not to mention the continuing talks between Anglicans and Roman Catholics on the broad concept of a united Church. Furthermore, the Roman Catholic Church has found itself in the front line of opposition to apartheid and increasing government oppression in South Africa.

Misleading

But like all visible signs, and the Church knows this better than most, they often convey a deeply misleading impression. The rebel French Archbishop also knows this very well as his crusade, based on the biggest *misconception of all concerning* the abolition of the Latin Mass, clearly shows. Far from moving to the Left, the past 14 years of the Papacy of Paul VI has sought to consolidate and re-dimension the enormous changes advocated, but not all introduced, under the innovative and remarkable rule of Pope John. And lately, with the Pope, now 80 and increasingly frail in health, the Vatican is undergoing what could be called a reflective pause waiting for what the future has in store.

But while the future is by no means certain, especially in a country like Italy now passing through a profound if gradual transformation, and despite the mood of apparent suspended animation prevailing over the Roman Catholic Church, the Vatican is nevertheless moving forwards—not to the Left, nor *to the Right but on its own* long-term course. The current revision of the Concordat, the State-Church pact between Pope Pius XI and Mussolini sealed in 1929 is a case in point. It is not only important for Italy but for other predominantly Roman Catholic countries like Spain since it could set the general pattern of future State-Church relations.

The spirit behind the revision of the Concordat is in line not *only with the thinking of the* political parties but indeed of the Vatican itself. When King Juan Carlos of Spain visited Rome last summer, the Pope said that the Church sought "no privileges, but only sufficient liberty to carry forward its evangelising mission." In a country like Italy, where the Church has always had a deep-*rooted* effect on political and *social life, often* coming out in open support at times of political strain to lend more than a gentle helping hand to the long ruling Christian Democrats, the significance of the Concordat revision is enormous.

In so many words, the Church sees its strength in its total and unambiguous autonomy even from an old ally like the Christian Democrat Party. While still clearly maintaining in Italy a sort of "special relationship" with the Party—*it is no coincidence* that the Pope spoke from his balcony of his "old friend" Aldo Moro shortly after the kidnapping of the Christian Democrat Party President—the Church sees the limitation of "political" affiliations on a purely national scale. Its strength derives from what it terms its "universal evangelising" role. This, however, is not to say that the Vatican has automatically taken a softer line on the Concordat negotiations. Far from it. It has sought to guarantee among other things the right of Catholic instruction in schools and despite divorce legislation, it upholds the belief that couples must be married by a priest and cannot divorce.

The Vatican has never been known for making easy concessions. The continuing difficulties the Anglicans are finding in sealing an historic compromise with the Roman Church, which sees itself unable to compromise on issues as fundamental as the Eucharist, is only one example. When it does, it is usually on its own terms. The overture to the Communist countries of Eastern Europe is another example. It has been summed up as a policy of "political concessions for pastoral gains" but even here the Pope made it quite clear to the Polish leader, *Edward Gierek, last December* that the Roman Church could only co-operate more fully in solving Poland's problems when the Church was granted the freedom it sought. The Pope was polite but stern.

The Vatican maintains a similar unambiguous approach when it comes to the Italian Communist Party. In this case, it is more the Italian Communists who are making the *political, or at least ideological,* concessions in return for what are clearly electoral gains. The overture has come from Sig. Berlinguer rather than from the Vatican. The Italian Communist Party leader has never underestimated the influence of the Vatican and his party has gone to considerable pains not to clash with the Church. He has repeatedly engaged in long dialectics directly with the Vatican, claiming that his party advocated complete freedom of beliefs, faith and ideal even among its own members as befits a democratic and puralist party. He has further been noticeably concerned to avoid any confrontation not only with the Christian Democrat Party but especially with the Church over the issue of abortion.

Indeed the Communists, while theoretically in favour of more liberal laws, made it a precondition for their direct support of the new Christian Democrat Government of Sig. Giulio Andreotti that legislation should be altered to prevent the radical party-inspired referendum on abortion this year from taking place.

Veiled in the customary courtesy, the Vatican answer to the Italian Communists has nonetheless been blunt. There remains, it asserts, an in*compatibility between Chris*tianity and Marxism and incompatibility between the Church and the Communist Party as long as the latter maintains the article in its statute which talks about the "Marxist-Leninist" outlook of all party members. The Italian Communists claim that the article in question has now been overtaken by another article, instituted by one of the leading "philosophers" of Italian Com*munism, the late Palmiro Togli*atti, which acknowledges the right of all members to pursue their individual beliefs.

Scrubbed

But in the eyes of the Vatican, even if the "Marxist-Leninist" reference is scrubbed as the Party apparently intends, there is still a further incompatibility between the Church and the underlying aim of the Communists to set up a collective State, sometimes referred to as Marxist and on other occasions as Socialist. As Cardinal Benelli, the Archbishop of Florence, has remarked: "The duty to collaborate for the common good is one thing: to collaborate for installing a totalitarian socialist State is another." This is hardly the stuff that heralds a radical change in outlook. At the end *of the day, Sig. Berlinguer may* well advocate that "the State cannot give up carrying out its proper functions," but the Vatican will reply quite simply that neither can the Church give up its mission. There may be variations and transformations in the years to come, but this mission and the ultimate vision appears, as it has done so for centuries, to be here to stay.

P.B.

Student moderates begin to hit back

THE STUDENT scene in Italy presents two novelties. The battlefield has shifted largely from the universities to the high schools and technical colleges. The good-natured *"L'imagination au pouvoir"* type of contest that characterised last year's student upheavals has turned into lunatic violence.

But despite the bold headlines charting the seeming breakdown of the higher education system, rebellion and violence, though common enough, remain a fringe phenomenon. What the papers do not mention are the hundreds of thousands of students who do not blacklist, insult, expel, beat up and threaten the lives of their teachers. The signs are that the silent student majority is coming into its own and that the extremists are becoming increasingly isolated. Even the "political six" is no longer a rallying point.

Milan's Cesare Correnti Technical College is where the students beat up and threatened to throw one of the teachers, Demenico Francescon, out of a window because he refused to hand out "sixes" (pass grade, out of a scale of ten). The practice, wrested from the teaching staff by threats, had been going on for years despite official disclaimers. One term the students put down a totally fictitious classmate, Gabriele Paesano, on the class roster. No one noticed that he was indeed a fiction and he too got passed.

Universal pass grades are no new invention. Many of those teaching high school children to-day were among the most vocal advocates of the "political six" as students back in 1968. But the significance of such demands has changed. Says historian Carlo Oliva: "What we wanted in 1968 was a reform of the school system, not its destruction. The reform didn't take place and things just got worse. Is it surprising that the lid blows off now and then?"

The destruction of the system is just what the new brand of teenage radicals are after, literally. Says Cinzia, one of the leaders of the extremist minority at Cesare Correnti: "Our campaign aims at the destruction of the school as a separate institution. It ought to be an instrument of socialisation, not of bourgeois learning."

Words may not hurt but fire does—as in Bologna, where students recently set fire to a suburban school; in Genoa, where high school students set one of their teacher's cars ablaze; in Rome, where two experimental schools as well as two teachers' cars have been the targets of arson.

Rampaged

Nor does violence stop there. At Padua University Leftists rampaged through the physics faculty last month and beat up two Communist teachers. One of the two, 33-year-old Antonio Drigo, said afterwards: "If we've reached this state of affairs, the reason lies in the state of the nation and of the universities."

In Rome Margherita Pinna, a high school teacher, was "expelled" by her students for being "anti-democratic." In Naples agitators at a technical college sought to extort a "tax" from their teachers.

Says Communist academic Lucio Lombardo Radice: "The technical colleges have become a cancer that is far worse than the universities. They create masses who cannot enter into productive work, they create mass cultural corruption." He sees "at least a grain of truth" in the radicals' battle for universal passing grades. "Schools shouldn't just reject people. They should select while orienting people. They should let students know that the market can't take more than 200 mathematical researchers, but that it needs, say, 400 vets. Without this kind of steering mechanism, you have to fall back on the market rule of supply and demand, with the result that it's no longer tons of pears you're sending off to rot, but thousands of people."

As a year ago with the universities, the root of the problem remains the economic situation, considerably worse now in terms of recession and unemployment. Measures passed last year to stimulate the employment of those in search of first jobs have had almost no effect, largely because of economic climate. The result is that over 70 per cent. of the more than 1.8m. unemployed are under 29. In addition, the entire university population of 750,000 can be considered as potentially unemployed.

Seen in this perspective, the debate over passing grades becomes quite academic. What is the difference if there are no jobs either for those passed and those failed? The employment situation outside the high schools and technical institutes also goes a long way towards explaining the political climate inside those seats of learning.

Lacking any form of social rationale, apart from acting as a sort of waiting room or antechamber to unemployment, the schools become a forum for political debate, and since the mood of the students is dominantly frustration, it is hardly to be wondered at that the political colouring of this debate is radically violent.

*Nor are there immediate solu*tions in the offing, either in the form of a significant pick-up in the economy or of the sort of sweeping reformist measures which alone could substantially alter the situation in the schools.

After 10 hours of emergency discussions this month Italy's 71-member National Council on higher Education, grouping parents, teachers and students, issued a statement calling for the *"mobilisation of democratic* forces" to make the schools a "central question in their political struggle." Of practical suggestions, however, not a hint.

It may in fact be argued that anarchy has become an institutionalised part of the Italian *higher education system. Law* faculty students in Bologna are so numerous that in theory they each have only half a square metre of space at their disposal. The situation is worse in some faculties in Rome, but in fact there is not too much congestion because only one out of every 100 students actually shows up for classes.

One technical college teacher in Rome says: "When I arrive for classes there are sometimes three or four students there, sometimes none at all. I do not know where they go or what they do." But hardly less shocking than mass absenteeism is the fact that if all the students did show up the nation's classrooms would burst at the seams.

Backlash

It is all the more surprising therefore that some kind of a moderate backlash now appears to be taking place against the excesses of the radicals, who, it has been shown, are in a minority everywhere (only 50 out of 1,200 students at Cesare Correnti). At a recent assembly at the Milan College, student orators repeatedly spoke up against universal passes. In Rome 10,000 moderate students recently demonstrated against the extremists, while an earlier rally by Leftist supporters of "sixes" fizzled out for lack of any mass support. At Padua University one faculty was occupied by moderate Leftist students to prevent destructive raids by extreme Leftists.

The violence seems to be dying down but regrettably it's so far about the only thing that has changed.

Chris Matthews

Tourists still flock in record numbers

TOURIST ITALY has many faces: Rome, the Eternal City; Florence of the Medicis and of Machiavelli: Como of the lakes; and there are all those established (and in summer overcrowded) watering holes for the white-skinned invaders from the north seeking the sun—Rimini and Cattolica, Sorrento and Capri; and Milan of the La Scala, worth a special mention in this year of the Opera House's bicentenary.

But there are other faces, too, many as yet virtually unknown to foreigners—and some so expensive that knowledge is worthless unless accompanied by a very fat cheque book. Take one particular contrast, say, between the largely unexplored and unspoilt sandy beaches around the heel of Italy, and along its instep, and again in neighbouring Calabria, and compare the scene—and the prices—with the Aga-Khan's man-made pleasure and leisure centre on the Costa Smeralda in north-eastern Sardinia.

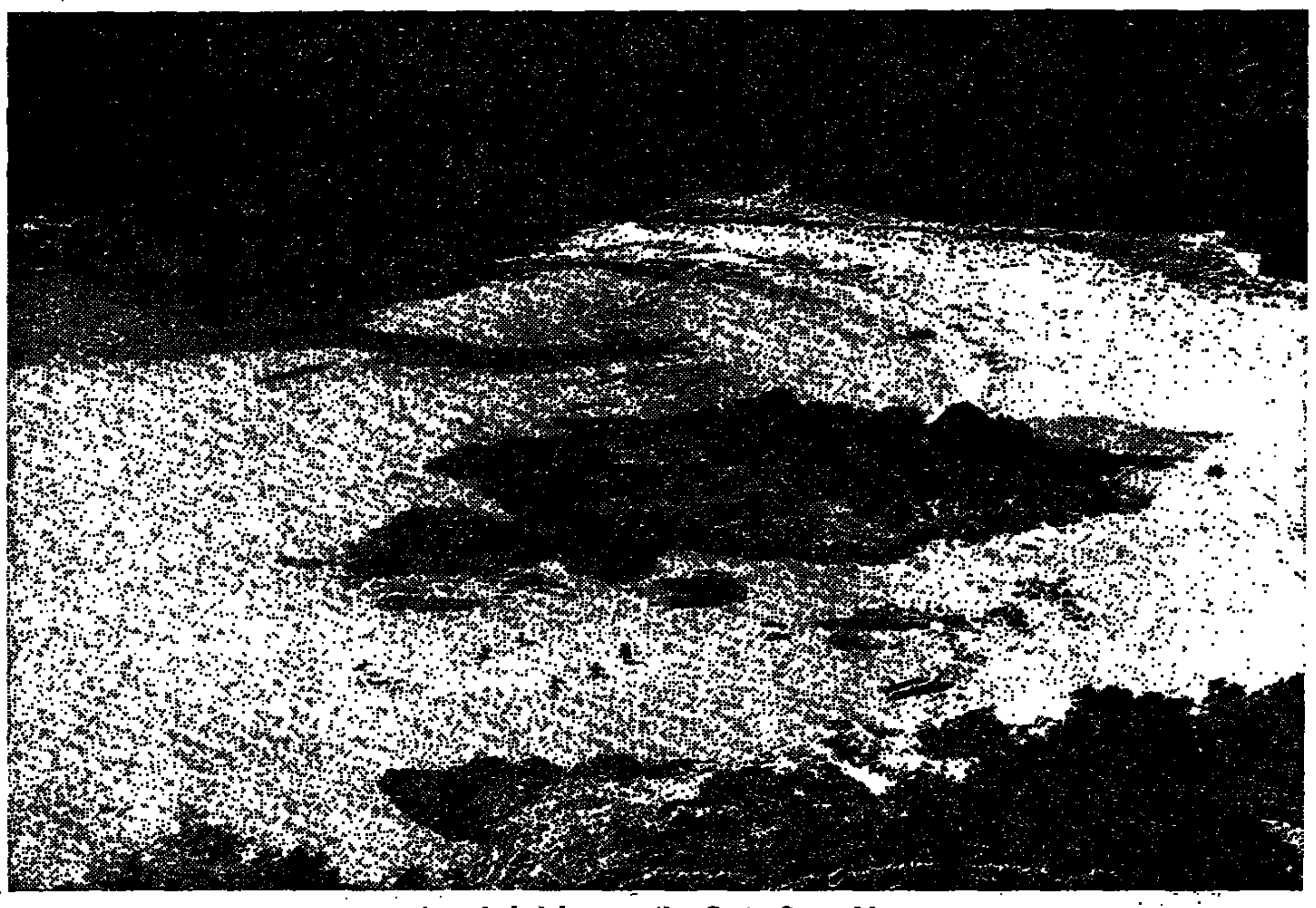
The motorways have opened up Italy, and particularly the South, but all too often the tourists stop at Naples and the Sorrento peninsula, to rest up and take the sea and the sun in the over-commercialised resorts of Positano, Capri (with its Blue Grotto and singing boatmen—all at a price) and Amalfi. Further south, and the roads are surprisingly good, empty sand beaches and colourful inlets await the more adventurous travellers.

Mediterranean civilisation opens up along the Calabrian coastline, with Greek and Roman ruins, baroque cathedrals and Byzantine churches among the peach blossom and oranges. It is all still surprisingly free of people and of the commercialism which advances ahead of any new touristic bonanza—not too much real luxury, but a real tourist paradise, sometimes with only the fishermen for company.

Nearby, across the Straits of Messina, there is Sicily, and further north Sardinia and the artificial luxury of the now celebrated Costa Smeralda. This is a playground designed and built for the rich, a vast tourist complex carved out of nothing but rock, which is just about all that was there when a long slice of the picturesque coastline was acquired some 20 years ago by the Aga Khan. Land there, say a site for a holiday bungalow, changed hands then for as little as L40 (still a mere 3p in to-day's money) per square metre. To-day, if a site can be got—and it is a mighty big "if"—the cost would be in the region of L50,000 (£30).

The Costa Smeralda is, depending on one's point of view and where you stand in the tourist exploitation game, either a rip-off or an immensely shrewd commercial proposition. It has some of the bluest waters in the blue Mediterranean, a concentration of mostly lavish hotels and associated facilities centred on the man-made village of Porto Cervo below which lies one of the largest and best equipped yachting marinas in all of Europe—and some of the worlds largest yachts.

The scenery is almost breathtakingly beautiful—and the prices will take your breath away too. The Aga Khan's consortium has in fact only a direct stake in three of the region's major hotels, but it has its commercial fingers in just about everything else. You become associated with the Consorzio Costa Smeralda, or you don't become associated with the area at all, whether you want to build a new hotel, open a new restaurant or provide some other support facilities for the high-spending tourists.



A secluded bay on the Costa Smeralda.

At all stages there is a financial cut for the Consorzio or, in the words of one disappointed potential investor from Turin who wanted to open a restaurant: "You are ostracised. To survive, whatever your talents, you have to locate in the Porto Cervo zone, and to do so you must pay."

Yet the Aga Khan has done economic wonders for this part of Sardinia, and right now a massive new investment is under way to expand the Costa Smeralda complex and provide new roads, water and sewerage, new electrical and telephone circuits, all at a cost of some £3m. All the work is to be finished by mid-July when the high season gets under way. It probably will be too, for this tourist complex is run with military-style precision, and by some very able accountants.

But then tourism throughout Italy is big business to-day. Last year produced yet another revenue record, an estimated L3,200bn., (some £2bn.), according to Sig. Michele Pandolfo, president of the national tourism organisation. Put another way, this figure (from an estimated 40m. visitors to a country of about 55m. inhabitants) covers half of Italy's total oil imports and is calculated to be one-quarter of total tourist revenue in the nine EEC countries.

Gross tourist revenue in 1977, before allowing for an estimated L800bn. (£500m.) spent by Italians holidaying abroad, was just about double that of the previous year, and exchange rate adjustments are only a small part of the story.

The fact is that foreign tourists are flocking to Italy as never before, and the season is actually getting longer, starting now before Easter and going on into late October and even early November. And of course tourist Italy has a useful and growing second season, the season of the winter sports enthusiasts in the northern ski resorts where, despite recent price rises, costs remain more than competitive with most of the more established skiing centres in France, Switzerland and even Austria.

Finally, how does that other face of Italy affect tourism, the face of crime and street violence, terrorism and the associated stuff of so many recent newspaper headlines—in particular of course the kidnapping of the former Prime Minister, Sig. Aldo Moro, and the murder of his five bodyguards The answer, from the figures at least, is not too much, although there was a noticeable drop in the number of Easter visitors to Rome this year, the extended festive week-end coming only ten days afte Moro kidnapping.

There are too the noto (in the strict sense of notor incidents of old ladies' han being snatched by Italian y on scooters. It does of c happen, but its frequ relative to some 40m. vis is hardly extraordinary. A the centres of the prin cities, and most notic perhaps Milan, are pretty devoid of people late at but so also are parts of York and London. The c over the years is bemoan many Italians—and right but petty crime is regre nowadays part and parcel urban scene, and not just in Italy. The more sinister and it is clearly on the inc has not thus far had a influence on tourist nur although it could in time.

D

The case for tax as preventive medicine

IF THE Chancellor cares about the health of working class voters he will impose high taxes on cigarettes and whisky next week, but if he cares more about their votes he will not. For the arguments in favour of preventive medicine by taxation are now so strong that only the shrug of a politician's shoulder in an election year can outweigh them.

These arguments do not apply to every aspect of preventive medicine. An honest Minister responsible for health might say, "those who would discourage the eating of butter seem to disagree with those who would banish sugar," and the damage to his conscience would not be beyond repair. He could point to the 742 pages of evidence published by the expenditure committee of the House of Commons a year ago[1] and set one expert witness off against another.

A reasonable policy based on this kind of honest evasion might be to promise more official fact papers to back up further campaigns of health education. This is the policy promised by last December's White Paper "Prevention and Health" (Cmnd. 7047), a document in which the Department of Health and Social Security has gone so far as to accept "that a high proportion of fats in the diet may represent a hazard to health."

It has not, however, been over-courageous: it avoids the risk of getting caught in a margarine-butter crossfire by declining to accept that "a reduction of fat intake and a switch from saturated to polyunsaturated fats are to be regarded as simple alternatives." And, of course, there is no question of taxing butter to subsidise margarine—yet.

But some aspects of preventive medicine are more clear-cut. There is no doubt about the harmful effects of smoking, or the damage that alcoholism can do to the unfortunate individuals who are afflicted by it. The difficulty here, election-year jitters apart, is one of principle. For if anyone advocates high taxation in order to discourage a particular harmful practice the first cry of protest that will be heard will inevitably be that it is "a gross interference with personal freedom."

The argument is heard again and again—over fluoridation of water supplies, of seat belts, or breathalyser tests. Yet it rarely stands up, whatever the specific instance.

Seat belts

On seat belts, for example, it may be an infringement of liberty to tell someone that he cannot risk his or her own life in a motor car; but what about responsibility for the passenger? Again, a severely injured person is treated "free" —at the taxpayer's cost— whether or not the degree of injury would have been less if the accident victim had worn a seat belt.

Yet the Government's first attempt to introduce a £3-a-vehicle road accident levy to finance the cost to the National Health Service of treating motor accident victims was defeated by the insurance companies a year ago. The new proposal, put forward last week by Lord Pearson's Royal Commission on Civil Liability and Compensation for Personal Injury, is that a higher tax on petrol would meet the principle that those who cause the risk should finance the compensation. This levy should, of course, be high enough to finance the NHS bills. We must wait and see whether Treasury huffing and puffing about "hypothecation," or oil industry lobbying, defeats it.

DENIS HEALEY
. . . Chancellor's choice

REVENUE FROM SMOKING
Estimated effect on Government Budget of a 40 per cent. reduction in cigarette smoking in 1976 (at 1972-73 prices and rates) phased in during 1976-80

	£ million per annum		
	1976-80	1986-90	1996-2000
Savings:			
Hospital inpatient stay (net)	3	6	6
General-practitioner consultations (net)	1	0	−1
Sickness benefit (net)	24	48	49
Widows' benefit	3	18	27
Costs:			
Retirement pensions	−4	−33	−60
Health education	−10	−10	−10
Net effect (excluding tax revenue)	17	29	11
Extra tax revenue	85	85	85

Sources: D.H.S.S. Social Security Statistics, 1973; Health and Social Security Statistics, 1973; Social Security Pensions Bill, 1975.
The Lancet

DAVID ENNALS
. . . Health Ministry statement

The proponents of preventive medicine by taxation are trying to establish as a general principle that where the cost of treatment falls on the national purse, there is often a fiscal justification for the higher tax and that this over-rides any consideration of "personal freedom." One of the most striking recent illustrations of this principle was published in the Lancet last September, when two economists, A. B. Atkinson and Joy L. Townsend, drew up a profit-and-loss account based on an attempt to effect a 40 per cent. reduction in cigarette smoking.

Results are shown in the table: it will be seen that provision is made for the extra cost of pensions that would result from enabling a great many people to live longer. Their plan is a total package including further restrictions on advertising, and more "Health Education"—that is, anti-smoking campaigns—but its central proposal is to phase in a 20 per cent. cut in consumption of cigarettes by gradually raising the price by 56 per cent. in real terms. This would, of course, increase Government net revenue.

Such an increase in price might sound monstrous, but historically it would not be quite so bad. The tax on tobacco, taken as a proportion of total consumer spending on tobacco, fell from 78 per cent. in 1951 to 58 per cent. in 1976. Fags to-day are relatively cheap. They are not highly price-elastic—addicts will come back to buying them after an initial pause following a price rise—but the long-term trend towards lower taxation is surely not helpful to the campaign to reduce consumption, and hence lung cancer, heart disease, and the other ills that are made more likely by the regular inhalation of tobacco smoke.

It is also true that the Government is aware of the argument in principle. In his 1977 Budget speech (the first one) Mr. Denis Healey said that there were compelling health arguments for increasing the tobacco duty *in real terms*. The Commons Expenditure Committee that reported on the subject last year recommended that "an increase in duty to achieve a price increase sufficient to *reduce cigarette consumption* should be imposed annually."

The Government has shied away from this, for a very understandable reason: it would hit its own voters hardest. An article by Joy Townsend in last week's New Society reminds us that while the upper classes have reduced their cigarette smoking dramatically, the lower classes are still putting their lives at risk, and suffering the consequences.

In 1961, she reports, 53 per cent. of men and 46 per cent. of women in social class I smoked. The figures for social class V were 62 per cent. for men and 43 per cent. for women. To-day under 30 per cent. of men and women in the top class are smoking, while in class V the figures are 57 per cent. for men and 48 per cent. for women.

It may be that the effect of the doctors' propaganda will in due course percolate down through the classes, just as it did with the birth control pill, which was at first taken by mainly class I and II women and only after a lapse of some years adopted on a wide scale by working class women. In the meantime, the politicians—and especially Labour politicians this year—face a dilemma.

Smoking

They know that although there is usually popular support for the idea of higher taxes on "vices," when the time comes to pay them the support fades away. They know the effect of smoking on ill health. There is surely some correlation between the relatively high incidence of cigarette smoking in the lower social classes and the fact that the death rate from lung cancer of married women in class V increased by 57 per cent. between 1961 and 1971, while for married women in the top social class the equivalent figure was 33 per cent. For ischaemic heart disease the statistics are just as dramatic, with men in the lowest social class suffering an increase in their death rate per 100,000 population, twice as high as the increase for men in Class I. (Figures from Joy Townsend in New Society.)

The chosen way out has been indicated by an agreement with the European Economic Community's Council of Ministers that Britain will be allowed to charge higher taxes for cigarettes with higher tar yields. The specified limit is a 20 milligram yield, with a provision that the additional tax may not be more than 20 per cent. of the normal cigarette tax. The effect could be to add between 6p and 7p to the retail price of high tar cigarettes after next week if the cigarette companies do not defeat the proposal in the advance negotiations, or if they absorb the bulk of the increase themselves, which there is apparently room for.

Either way, a mere differential tax acting against high tar cigarettes will not restore the incidence of duty to what it was a decade ago, when it was about a sixth higher as a proportion of spending on tobacco than it is now. If Mr. Healey is to square the conscience of the Government on matters of health with its electoral hopes he will put at least 5p on a packet of 20 standard cigarettes, with the high tar duty added to that.

The problem is more complex when it comes to alcoholic drink. While all authorities agree on the damage done to individuals, families and the community by excessive drinking, most people would also agree that moderate drinking is a right that everyone should be able to enjoy. The Expenditure Committee Report[1] suggested that the price of alcoholic drinks does have an effect on the rate of alcoholism, and so recommended that prices should be maintained at the same level relative to average incomes as they were at the time of the report in early 1977. A recent statement from the Minister for Health and Social Security shows that the Government is nervous about this one.

Self-defeating

The propaganda being put out in advance of the Budget by the whisky and wine traders suggests that the rate of duty is already self-defeating—for example, the Scotch Whisky Association says that income from excise duty on spirits fell by £43m. in the first nine months of this financial year following a 10 per cent. rise in the rate at the beginning of 1977.

But the incidence of duty as a proportion of consumers' spending on spirits fell from just on 56 per cent. in 1968 to just over 49 per cent. in 1976. For beer, the fall was from around 37 per cent. to just above 23 per cent. Alcoholic drink is now relatively cheaper than a generation ago, and the effect on younger people is already visible. Many social workers claim that what was a "drug problem" is now a "drink problem;" it would be unreasonable to assume that this had nothing to do with relative price. The case for a sharp rise in duty on strong drink is as clear as it is for one on tobacco.

[1] First Report from the Expenditure Committee Session 1976-77. Vols. 1-3. HMSO February 17, 1977.

Joe Rogaly

Letters to the Editor

Communication politics

From the Director of Research, Institute for Scientific Information.

Sir,—The "Communications" supplement (March 31) was timely but it did not discuss an important basic issue. Most European countries have set up PTT (poste, telegraphe, telephone) monopolies dedicated to the idea of implementing national universal telephone systems; the most remote farm house should be entitled to its telephone. The organisational structure to do this—as exemplified by the British Post Office—is of necessity cumbersome, bureaucratic, and has to plan many years ahead with equipment designed to last for 30 years. It is ill-adapted to incorporate the new technology needed for the convergence of telephone and data transmission at the rate required by the business community of a modern industrialised country.

The effect of permitting private enterprise to instal systems which a PTT cannot or will not provide is fraught with political difficulties. Such systems would cream-off the profitable business traffic which the PTT needs to subsidise its rural services.

But this is, in fact, being done in the U.S. The Federal Communications Commission, in a series of decisions over the last ten years, has permitted private activity. Traffic cream-skimming safeguards protect the universal telephone monopoly. One effect has been the emergence of U.S. privately controlled data communications networks providing efficient services in Europe; this probably provoked the formation of Euronet. Although the U.S. regulatory policy has generated new problems, on balance it seems more likely to provide the needed facilities than a rigidly controlled PTT.

To-day in the U.S. the cost of data communication is much lower and the range of available services much wider than here. We are starting to become an information-poor deprived country which puts us at a substantial competitive disadvantage.

Political action holds out the best chance for changing this situation. Parts of the Post Office Act should be changed in order to permit other organisations to provide new systems without imperilling the telephone network.

A. E. Cawkell,
132, High Street,
Uxbridge, Middx.

Public sector salaries

From Mr. L. Wynn.

Sir,—I feel that Mr. F. S. Law, in writing (March 30) about public sector salaries must have had his tongue in his cheek, particularly in the last paragraph.

The results attained by most of the nationalised industries are really a disgrace against the results which must be obtained from private enterprise if they are to exist as going concerns.

As I read it, it appears that if you give a few senior people in the nationalised industries a few thousand pounds more they will produce better results: this is a complete and utter fallacy.

L. W. Wynn.
31, Norton View,
Halton, Runcorn, Cheshire.

The Severn barrage

From Dr. T. Shaw.

Sir,—Your leader of March 25 on the White Paper, "The challenge of North Sea oil," omits direct reference to the Government's stated strategy to channel a proportion of revenues accruing from this relatively short-lived energy "windfall" into the development of other energy sources, in particular those so-called alternatives that can meet the medium-term needs of our economy and so help to assure supplies as the "oil runs out."

Many people would argue that on this timescale, that is, by the year 2000, none of the alternative sources can be expected to make a significant contribution of some thousands of megawatts (or the heat equivalent thereof in the case of solar and geothermal energy). With the exception of tidal power, this is probably correct. The important distinction to be drawn in the case of the tides, however, is that this is no more than an alternative form of hydroelectric power for which both our experience of it and our total world dependence upon it makes it at least as well developed as any of the thermal varieties.

The fact that a commercial-scale tidal barrage has yet to be constructed simply reflects the fact that it is only those hydroelectric sites offering greater working pressures that have hitherto been judged economic. At the World Energy Conference in Istanbul last September it was clearly argued that a four-fold increase in the world's installed capacity of hydroplant could be expected by the year 2025. This is possible only by developing low-head sites, for which conditions are hydraulically comparable with estuaries having a high tide range. There are many such estuaries around the world, a number of which are now under review. All could be harnessed by 2000 given the political will to do so: the technology is well proven and exceedingly reliable, as hydro schemes have shown.

In the case of the Severn barrage it is worth noting that one scheme mentioned by the Select Committee in its report last September could yield in about 200 years as much electricity as would all the known, recoverable oil in the North Sea. While the timescales are different by a factor of about six, the barrage would be a permanent asset drawing upon a national resource of indefinite duration that we at present waste. The revenues of one year's North Sea oil are needed for its construction, that is, perhaps 3 per cent. of our total income from this oil at constant prices, but giving at least a 10 per cent. increase in electrical generating capacity.

The national benefits of ploughing back in this particular way do not stop at energy. For example, the White Paper also looks to the support of regional development and employment. The barrage would secure these, from as far afield as Scotland where concrete caissons could be formed in the many now under-used North Sea building yards on the West Coast (the Severn Estuary is closer to these yards than much of the North Sea), to South Wales for which the benefits would be diverse and permanent.

T. L. Shaw,
Department of Civil Engineering,
University of Bristol,
Queen's Buildings,
University Walk, Bristol.

Complex tax question

From Mr. J. Newman.

Sir,—I refer to the supplement on Multi-Bank Consortia (March 22) and in particular the article headed "The complex tax question" which dealt with the deductibility of differences on conversion of foreign exchange liabilities. The problem is not confined to consortium banks: all the clearing and most other banks in the U.K. have long term foreign currency capital and thus the deductibility question is of extreme importance.

This question also affects branches of overseas banks since currency fluctuations cause differences on their capital bases which may or may not be deducted for corporation tax purposes. I therefore feel it is worth-while correcting and amplifying some of the statements made in that article by Michael Lafferty.

The Inland Revenue does not take issue with taxpayers lightly: it feels that it has a good case. Indeed on the basis of existing case law, it, along with myself, feels that it has more than a good chance of success. Other banks have been advised by leading Counsel that the existing tax case law could only be reversed by taking an appeal right the way up to the House of Lords. A procedure which would not only be time-consuming but also extremely costly and not by any means guaranteed of success.

It is difficult to argue the technical merits of the Inland Revenue's case without referring to the tax cases which set out the attitude of the Courts to the distinction between losses of a capital nature which are not deductible, and those of a revenue nature which may be deductible. It seems to me, however, to be difficult for the banks involved to claim on the one hand that these subordinated and other loans should be treated as capital for Bank of England purposes (and thus increase their banking ratios), whereas on the other hand for taxation purposes, the same loans should not be treated as capital but as ordinary deposits received in the course of business.

The other matter which I think your correspondent should have addressed himself to is the implication of the International Commercial Bank case. This case was the subject of an article by Justinian recently and has an important effect on the currency loss question.

In brief this case concerned the taxation of long-term foreign currency bills of exchange purchased at a discount. The question was whether this discount should be taxed when received, that is, when the bill was honoured or sold, or following the accounting treatment, in equal instalments over the life of the bill. Counsel for the bank, F. Heyworth Talbot, Q.C., successfully won the case before the House of Lords with the result that these profits will only be taxed when they are realised. It was accepted by the members of the House of Lords that the words of Lord Reid in BSC Footwear Limited vs Ridgway (47 TC 495) were applicable as follows: "The application of the principles of commercial accountancy is, however, subject to one well established though non statutory principle. Neither profit nor loss may be anticipated."

Applying the same principle to losses on foreign currency liabilities, deductibility should only occur when the actual losses arise. In other words, when the foreign currency is redeemed or repaid. This latter point would be with the caveat that deductibility would then only arise if it were a revenue item.

The fact that firms of accountants have not qualified their reports on annual accounts means nothing. All that the current accounting standards require is that the potential liability is included as a note to the accounts—in that way a true and fair view is presented. The firms of accountants mentioned have therefore not really expressed an opinion on whether they feel that the issue will be decided in favour of the banks or not. In any event some banks have taken adequate avoiding action so that the problem does not arise.

Finally, taking the appeal before the General Commissioners is not, as the article suggests, the end of the matter. If the Commissioners decided for or against the taxpayer, the Revenue and the taxpayer respectively could appeal against the decision and go the next Court and so on up to the House of Lords. Therefore the current uncertainty could continue for several more years until either the Courts have ruled or the Government has passed legislation or made a concession.

J. A. Newman.
21, Mincing Lane, E.C.3.

The City rules

From Mr. M. Parker.

Sir,—I have become mildly irritated over the last few weeks, while reading articles on proposals for the set-up of a somewhat more effective system of self regulation than exists at present, at the absence of sufficient mention of the Stock Exchange. The editorial on March 31 "New watchdog on trial" states that the Department of Trade has now given its approval to arrangements worked out by the Bank of England in consultation with various City associations for the establishment of a Council for the Securities Industry. By the Bank, is presumably meant the Take-over Panel, whose executives during their period of secondment to the Panel, are employed by the Bank of England. The absence of any mention of the Stock Exchange, or, more precisely, the Quotations Committee and its Executive the Quotations Department, is disappointing.

As may not be generally known, the Take-over Panel is situated on the same floor as the Quotations Department in the Stock Exchange building. As a previous employee with the Quotations Department, my duties were to ensure that companies and their financial advisers adhered to the spirit as well as the laid down rules of not only the Stock Exchange but also the Take-over Panel; indeed, there were instances when interpretation of the Panel's own rules came somewhat easier to the full time executive of the Quotations Department than to the seconded executive of the Take-over Panel.

I have no doubt that the Quotations Committee of the Stock Exchange and that Committee's senior executives, whether or not they term themselves as members of the Quotations Department, have played a significant part, if not the major role in establishing the foundations for a Council of Securities Industry.

It would be pleasing to see more credit and encouragement given to the Stock Exchange as it carries out its none too easy self imposed task of regulating the securities industry.

M. F. Parker.
12, Downfield Road,
Clifton, Bristol.

To-day's Events

GENERAL

U.K. official reserves (March).

Cabinet expected to decide on additional public spending in coming financial year.

Mr. Michael Edwardes, chairman, British Leyland, is guest speaker at Foreign Press Association lunch, 11, Carlton House Terrace, S.W.1.

EEC Foreign Ministers meet, Luxembourg.

EEC Agriculture Ministers begin two-day meeting, Luxembourg.

European Options Exchange opens in Amsterdam.

Mr. Max Madden, MP, chairman of Labour Party Employment Group, heads deputation of Labour MPs to meet Mr. Albert Booth, Employment Secretary, in protest at Lucas Aerospace redundancies.

First meeting of Electrical Technology Requirements Board of the Department of Industry.

PARLIAMENTARY BUSINESS

House of Commons: Prime Minister's question time on BBC Radio 4. Wales Bill committee stage.

House of Lords: State Immunity Bill, third reading. Scotland Bill committee stage. Industrial Training Levy (Engineering) Order 1978.

Select Committee: Expenditure (Social Services and Employment sub-committee). Subject: employment and training. Witnesses: West Midlands County Council and District Councils, Manpower Services Commission, and the Bishop of Birmingham. (9.30 a.m. County Hill, Birmingham).

OFFICIAL STATISTICS

Capital issues and redemptions (March). U.K. banks' elegibile liabilities, reserves assets, reserve ratios and special deposits (mid-March). London clearing banks' monthly statement (mid-March). Hire purchase and other instalment credit business (February). Retail sales (February-final).

COMPANY RESULTS

Bank of Scotland (full year). Grattan Warehouses (full year). Guest Keen and Nettlefolds (full year). Mitchell Cotts Group (half-year). Savoy Hotel (full year).

COMPANY MEETINGS

British Bank of the Middle East, 99, Bishopsgate, E.C., 11.30. English and New York Trust, 20, Fenchurch Street, E.C., 3.45. Greenfield Milletts, Abercorn Rooms, E.C., 12. IDC, Stratford-upon Avon, 12.45. Lancashire and London Investment Trust, Winchester House, E.C., 12. Abel Morrall, Redditch 3. Marchwiel, Chester, 11. Wagon Finance, Sheffield, 12.

COMPANY NEWS

Freemans London tops £13m. —£8m. bank loan arranged

HELPED BY the progressive drop in interest rates Freemans (London SW9) expanded taxable earnings in the second half from £5.84m. to £7.33m. to finish the year to January 28, 1978, with total profit up £2.72m. at £13.06m.

Excluding VAT, sales reached £166.47m., against £140.61m. Profit was struck after interest of £684,000 (£457,000).

Tax of £6.75m. (£5.45m.) left the net balance at £6.31m. (£4.9m.) and stated earnings per 25p share emerged at 27.3p (21.2p). A net final dividend of 3.5232p lifts the total to a maximum permitted 5.9432p (5.3091p).

The directors say they are expecting 1978 to be a year of steadily increasing consumer spending. After an intensive agent recruitment campaign the company is in a position to share fully in the extra business available. The number of active agents at the end of the year was an all-time high of 437,000 (403,000), and accordingly the Board has planned for good volume growth this year.

So far business is encouraging but it is not yet up to the high targets the directors have set.

Although over the year short-term borrowings increased by under £2m. to more than £6m., in January, 1978 an £8m. medium-term loan over seven years was arranged with the company's bankers. Of this, £4m. was taken up in January with the remaining £4m. to be taken up by December this year.

This is in addition to the company's normal overdraft and other short-term facilities and should allow ample cover for expansion during the coming few years, the directors comment.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Ash & Lacy	3.63	May 23	3	6.63	5.99
Combined English Stores	1.71	July 3	1.53	3.24	2.9
James Dickie & Co.	2.19	—	1.93	4.4	3.86
Freemans (London)	3.52	—	3.12	5.94	5.37
Highland Distilleries int.	1	June 7	0.8	—	2.89
Charles Hurst	3.3	—	2.72	5.96	5.38
Ocean Transport	4.33	June 1	3.85	8.19	7.39
Provincial Laundries	0.24	—	0.2	0.4	0.36
Scottish Television	1.27§	—	1.14	2.36	2.13
Spirax Sarco	5.19†	May 20	3.66	8.88†	6.25
Union Minière	500¶	June 6	600	500	600
Yarrow & Co. int.	1.7	June 20	1.5	—	4.61

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Increased to reduce disparity with final. § Additional 0.0175p for 1976. ¶ Belgian francs throughout.

Spirax Sarco up 20.5% to £5m. and still making progress

PRE-TAX profits for 1977 of Spirax Sarco Engineering rose by 20.5 per cent. from £4.23m. to a record £5.1m. on turnover ahead by 13.5 per cent. to £29.27m. At halftime the directors reported profits up from £1.94m. to £2.23m. and they said that in the absence of unforeseen circumstances second half profits figures should show continuing improvement with total profit at a record level.

The directors now say that the year's results, which must be considered against a background of continuing political and business uncertainty in various parts of the world, are due to the need for the group's products across the broad spectrum of industrial and commercial applications and greater understanding of the need for energy conservation and maximising output through greater plant efficiency.

Order intakes so far in the current year have been satisfactory, they add, and overall volume adjusted for price increases is being maintained ahead of the corresponding period last year. Given reasonable trading conditions in the world generally, the group's business growth will continue, they say. They add that it would grow even faster as a result of any return of business confidence into major trading areas.

On capital increased from last years rights issue, stated earnings per 25p share are 26.3p (25.1p) and the dividend is lifted to 8.8837p (6.2463p) with a final of 5.19p, as forecast. Also proposed is a one-for-one scrip issue.

There was an extraordinary debit of £383,000 (£233,000 credit) for the year comprising deficit £326,000 (£230,000 surplus) on currency changes; re-location and closure costs £114,000 (£155,000); profit on sale of freehold property last time of £160,000, less tax £57,000 (£2,000).

	1977 £000	1976 £000
External sales	29,269	25,791
Trading profit	5,320	4,640
U.K./companies	3,307	2,475
Overseas companies, etc.	2,313	2,165
Interest payable	421	409
Profit before tax	5,099	4,231
Tax	2,453	1,934
U.K.	1,681	1,206
Overseas	772	728
Net profit	2,646	2,297
Minority interests	137	132
Extraordinary debit	383	†233
Attributable	2,126	2,398
Interim divs.	373	210
Proposed final	517	303
Retained	1,236	1,885

† Credit.

The group has adopted the general principles of ED21 when dealing with exchange differences arising on the conversion of its interest in subsidiaries at the beginning of the year and on foreign currency borrowings. In previous years all such differences were reflected in the profit and loss account under extraordinary items. Under the revised basis of accounting exchange differences relating to fixed assets have been taken direct to reserves; other differences continue to be reflected in the profit and loss account under extraordinary items. The comparative figures for 1976 have been restated to reflect the revised basis.

The balance sheet at the end shows net current assets £10.45m. against £7.71m. and net assets at £18.65m. (£14.84

The group is an international specialist concern in fluid control equipment.

● comment

With almost all its products related to energy conservation, not surprising that Spirax-Sarco has shown impressive growth since the 1974 oil crisis. The year has been no exception though profits—a fifth higher compare with almost 60 per cent in 1976 and 42 per cent. in A 13 per cent. sales rise im little volume growth although important overseas contribution was adversely affected by rates of exchange against sterling. Nevertheless, margins have proved by a point at a time most other engineering companies are being squeezed. In energy conservation Spirax believes the U.K. has made a more concerted effort than other countries and the Government's "Save campaign helped boost the share of profits from 44 per to 46 per cent. of total. appears to be plenty of room additional growth in overseas markets and Spirax has directed part of the £2.4m. rights proceeds into a new sales and warehouse operation in Paris. The shares 270p on a p/e of around 10 yield of 5.1 per cent. are looking for continued growth. Cover is two and a half times.

Belgian loss hinders CES recovery

AFTER FALLING from £1.15m. to £0.65m. in the first half, pre-tax profits of Combined English Stores almost caught up in the second half to finish the year to January 28 at £4.34m. compared with £4.61m.

The directors explain that a strong recovery in the U.K. in the second half made good the first-half shortfall but the Belgian subsidiary Lindor SA incurred a loss of £436,000. Lindor was reorganised during the year and the Board is confident that the results for the current year will show a considerable improvement.

Cash at bank has risen to £6.2m. and the strong recovery in all mainstream activities in the second half has continued into the new year. The Board is confident that trading conditions will continue to improve and that the group will benefit accordingly. The group is in a strong financial position with substantial cash resources to pursue its expansion plans.

Full-year earnings are shown at 12.4p (15.64p) per 12½p share and, as promised, the final dividend is the maximum permitted at 1.7066p net for a 3.2423p (2.9029p) total.

The loss by Lindor which compared with a profit of £9,000 last year, was mainly attributable to exceptionally large "mark-downs" from normal selling prices of merchandise and compensation for loss of office arising from management changes.

	1977-78 £000	1976-77 £000
Sales	56,904	54,470
Profit	3,975	4,303
Share assocs.	367	310
Profit before tax*	4,342	4,613
Tax	1,860	1,536
Net profit	2,462	3,077
From reserve†	13	11
Making	2,475	3,088
Pref. dividend	16	16
Ordinary	640	548
To reserves	1,819	2,524

*After crediting £708,000 (£698,000) from disposal of retail shop properties in ordinary course of business. †For HP profit.

No provision has been made for tax that is likely to continue to be deferred for the foreseeable future. The figures for 1976-77 have been adjusted.

The proportionate increase in tax is due to a reduction in tax relief for capital allowances and increased value of stock and to the absence of tax relief for the loss of Lindor.

● comment

The Belgian subsidiary apart, CES has turned in reasonable figures. The menswear chain, Fenton, showed profits equal to the previous year despite a slow start, while the ladies' accessory chain, Salisbury's, managed its seventh successive year of growth. The furniture outlets were almost up to the comparable period—a good achievement against the sector—and the joint venture in Germany, with the Dutch insurance company, AMEV, which operates a women's fashion chain turned in higher profits. So the only disappointment was the Belgian manufacturing/retailing business. Around £350,000 of the loss there related to the costs of the factory closure and the small retail operation that remains could be back into the black this year. At worse the losses could be fairly small. But this experience has not soured the group to overseas investment. A further joint venture in Europe is under negotiation, and this could be a big one. Cash at the year end was £6m. This year the Kendall acquisition could chip in £200,000 and with a recovery in consumer spending, which should work through at discretionary level later in the year, the outlook is encouraging. Outside estimates are already in the area of over £5m. At 80p the p/e of 6.3 and yield of 6.3 per cent. covered 3.8 times appear to lag behind events.

Second half slump by Ocean Transport

SECOND HALF pre-tax profits at Ocean Transport and Trading slumped by a half from £25.9m. to £12.9m. and despite a first half lead of £10.85m. at £26.14m. the group finished 1977 behind at £39.08m. against £41.2m.

The directors said at the half-way stage that although expectations for the remained of the year were not quite so buoyant as they had been, they expected the full year's profit to exceed those for 1976. The level of profits expected in the second half, they added, was affected by transitional effects of containerisation by OCL of New Zealand and South Africa trades.

Trading profit fell from £22.17m. to £16.93m. the pre-tax profit included a lower profit on disposal of ships of £1.53m. (£2.4m.). The associates contribution amounted to £26.02m. (£22.32m.).

Before extraordinary items, earnings per 25p share are shown as 29.67p (28.85p) and the dividend is stepped up to 8.188p (7.3901p) with a final of 4.3273p. The directors say that if the rate of tax is reduced then the net dividend will be increased proportionately.

Ashley Ashwood

Sir Lindsay Alexander, chairman of Ocean Transport

Net profit emerged at £31.77m. (£31.58m.) after tax of £7.3m. (£9.63m.) which relates to the liability estimated to arise on the profits of the year together with the ACT arising on the dividends for the year. No provision has been made for tax equalisation arising from timing differences for accounting and tax purposes of depreciation and other charges as in the opinion of the directors no liability to U.K. tax is likely to arise in the foreseeable future. This change was implemented during 1977 and figures for 1976 have been adjusted accordingly.

There were exchange adjustment credits this time of £438,000 compared with £1.79m. debits.

And there was an extraordinary debit this time of £5.78m. against a credit of £55,000.

	1977 £000	1976 £000
Turnover	459,034	382,725
Depreciation	19,618	17,580
Trading profit	16,931	22,172
Invest. inc. and interest	8,313	8,203
Interest payable	14,214	13,687
Profit on ships disposal	1,529	2,401
Share of associates	26,018	22,315
Profit before tax	39,077	41,204
Tax	7,303	9,625
Net profit	31,774	31,579
Exchange credits	438	*1,758
From minorities	537	†4,174
Making	32,749	25,617
Extraordinary debits	5,757	‡55
Attributable	26,992	25,672
Dividends	9,104	8,058
Retained	17,888	17,614

* Debits. † To minority. ‡ Credits.

See Lex

THF ahead in first quarter

TRADING PROFITS of Trust Houses Forte, the hotels, leisure and catering group, in the first quarter of its current year are running ahead of those for the same period a year ago.

Lord Thorneycroft, chairman, told shareholders at yesterday's AGM that profits to date had exceeded budget and that although the first quarter only contributed a small proportion of the full year's profits it was nevertheless an indication that the group was on course.

He said that he was optimistic about tourist trade in the current year, an optimism he said, that was supported by recent British Tourist Authority statistics. The group would also benefit in 1977-1978 from the first full year's contribution from its Lyons and Knott hotel acquisitions.

Lord Thorneycroft said that the group would continue to implement cost control measures and expected further benefits from this in the current year. The group would also be looking to make further "prudent investments" and quoted THF's recent moves to acquire the Colony Kitchen chain in the U.S. as an example. THF would also be looking to acquire management contracts which would allow it to earn revenue with a minimum of investment by using existing management expertise.

Grand Metropolitan announces that during the three months to December 31, 1977, the value of group external sales increased by about 8.5 per cent. compared with corresponding period of the previous year. External sales include overseas sales and these are converted to sterling at the rates of exchange ruling at the end of each quarter.

Equity & Law seeks broader spread

New individual life business of Equity and Law Life Assurance Society fell substantially in 1977 reports Mr. P. D. Cox in his chairman's statement, with new annual premiums 9 per cent. lower at £5m. and sums assured 21 per cent. down at £427m. This reduction was anticipated following the change in commission scales to a premium related basis. New annual premiums under group policies rose by 6 per cent. to £5m. and overall new annual premiums were marginally higher at £14.2m., excluding managed funds.

The group, states Mr. Cox, has embarked on a policy of seeking a broader spread of individual business with the objective of replacing the business not obtained owing to the changed commission terms, and this will continue. He points out that several new types of contract have been introduced as well as promoting an extended range of traditional policies.

The report shows that annual premium income in 1977 rose by 10 per cent. to £74.6m. and single premiums received were 43 per cent. higher at £16.3m. Gross investment income rose by £11m. to £45.5m. Claims, expenses and taxation payments were up by 15 per cent. to £67.9m., so the long-term funds had a net cash inflow of £67.9m. against £54.2m. in 1976. Market value of assets rose by £145.1m. on the year of which amount £35m. was transferred to investment reserves. Thus the value of long-term funds stood at £631m. at the end of 1977 compared with £454m. at the beginning.

Mr. Cox reveals that of the total amount of new money available for investment, £4½m. was invested in the appropriate units for unit-linked policies. Of the remaining money almost all was placed in the fixed interest market—£54½m. with only £5m. invested in equities. The group had a net disinvestment of £8½m. in property, which consisted of sales of £14½m. and purchases of £6m. There was also some replacement of farms having sitting tenants by farms managed on behalf of the Society. A subsidiary, Equity and Law (Farm Management) was formed last year to be the tenant of the farms.

At the end of the year, the market value of assets amounted to over £650m. which was split by market value to 52 per cent. in fixed-interest, 27 per cent. equities and 21 per cent. property. The Society has over the past two or three years reduced its proportion of equities and property by putting most of its new money in fixed-interest. It intends to maintain this present proportion subject to unforeseen circumstances. Mr. Cox forecasts a further sharp increase in income, the investments held at end-1977 should produce an income in 1978 of £51m.

Mr. Cox refers to the new State pension scheme about to come into force. This would make the administration of many occupational schemes more difficult for both employers and life companies. The Society had made considerable efforts to rationalise and simplify its group business during the past year and achieved considerable su New business prospects pensions seem better than f past few years.

In the Netherlands new a premiums in 1977 were 2 cent. higher at £1.9m. and new money available for i ment, £2m. was put into e and £7m. in fixed-in securities. The Society wa consolidating the sign position established in the life assurance market.

Meeting at 20, Lincoln' Fields, W.C., April 26 at 12.1

● comment

Equity and Law had to ac drop in individual new b last year, while endeavour find new market outlets f business lost as a result change to a premium-relate mission structure. But th back did not stop the improvement in the cash f the Society where both pr income and investment i showed a continued growth. The actuary's val shows a profit of £14.1m. £11.7m. at the end of 19 the shareholders have r their portion of this rise company is forecasting a cent. rise in investment on the assets held at the 1977 and management ex last year showed a l increase than in previous The dividend is covered t that prospects look good if end restrictions should be At a price of 162p, the yield 6.5 per cent.

Yarrow at £0.77m. midway and confident

PRE-TAX profits for the half-year to end 1977 of Yarrow and Co. came to £767,000 compared with £944,000 for last year's first half and £1.81m. for the full period. Turnover was £3.57m. (£3.21m. and £6.82m.)

Profits include investment and deposit income of £303,000 (£226,000 and £440,000), dividends from Yarrow (Shipbuilders) nil (£500,000 and £750,000) and profit on sales of investments £302,000 (£60,000 and £248,000).

Tax takes £219,000 (£195,000 and £309,000) leaving £548,000 (£749,000 and £1.5m.) available for distribution.

The interim dividend is 1.7p (1.5p) net per 50p share and the maximum permitted for the year under current legislation will be 5.073p (4.6117p).

The directors consider the results satisfactory and expect trading profits and investment income during the second half will be maintained at the same levels and may show some increase. However profit on sales of investments will not be significant. The 1977-78 accounts will include a full year's interest on the Treasury stock already received as a first payment on account of compensation, and also such further distribution from Yarrow (Shipbuilders) as is authorised by the Department of Industry.

In 1976-77 Yarrow received from Yarrow (Shipbuilders) dividends of £750,000 for that year. This brought the total distribution in the four years ended June 30, 1977, to £2.6m. out of total profits of £11.98m. available for distribution.

The dividends were the maximum amounts authorised by the Ministry of Defence and latterly by the Department of Industry. The intention underlying the dividend restriction provided in the loan agreement with the Ministry of Defence was to safeguard the Ministry loan to Yarrow (Shipbuilders). It was not envisaged that the restriction would affect the entitlement of Yarrow and Co. to the retained profits of its shipbuilding subsidiary. However, the nationalisation of Yarrow (Shipbuilders) has resulted in its undistributed profits forming part of the nationalised equity now owned by British Shipbuilders.

Accordingly an application has been made to the Department of Industry for approval of a further substantial distribution by Yarrow (Shipbuilders) to Yarrow and Company, which the Board considers is fully justified. The Department of Industry has informed the company that its proposals are being studied very carefully and that a substantive reply will be made as soon as possible. The amount authorised for distribution will be credited to the profit and loss account for 1977-78.

A first payment on account of compensation for Yarrow (Shipbuilders) and Yarrow (Training) was made in early February 1978. Satisfied by the issue of 9¾ per cent. Treasury Stock 1981. The nominal amount of stock received was £1.406m.

A special payment of interest which had accrued on this stock from vesting date, July 1, 1977, to September 30, 1977, has already been received and is included in the half-year's investment income: thereafter interest will be payable on April 1 and October 1 each year.

The directors point out that in December 1977 the company acquired 75 per cent. of the capital of Ritchie Taylor Engineering Co. (Glasgow) for £360,000. There are good prospects for some expansion of this company, they say.

The Board is actively pursuing several other opportunities for future investment and has every confidence in the continued prosperity of the group.

Scottish TV up 24%

AFTER A 30 per cent. increase in advertising revenue from £11.66m. to £12.13m., pre-tax profit of Scottish Television climbed 24 per cent. from £1.41m. to £1.74m. in 1977.

The result was after Exchequer Levy of £2.33m. against £1.28m. previously. At halfway profit was up from £0.63m. to £1.05m.

Directors say advertising revenue advanced strongly for the third consecutive year, in line with the increase for the industry. But it conceals a drop in the share of total ITV revenue in the last months of 1977, they say.

This downward trend was reversed in 1978 when the company increased advertising rates.

Programme expenditure in 1977 advanced 31 per cent. with local programme production receiving 60 per cent. more money. Another large increase is planned for 1978.

Directors say the extra funds were accompanied by additional staff and new technical equipment.

	1977 £	1976 £
Turnover	15,476,504	12,045,510
Advertising	15,129,074	11,662,219
Other revenue	347,430	383,291
Trading profit	4,065,973	2,683,579
Exchequer levy	2,327,757	1,277,846
Profit before tax	1,738,216	1,405,733
Tax	1,010,098	764,307
Net profit	728,118	641,426
Tax release	—	70,223
Pref. divs.	1,372	1,372
Ord. divs.	123,010	109,322
Leaving	603,736	600,955

In the year land and property values were revised on an existing use basis, and following the increase in reserves £3.46m. of goodwill was written off.

A final dividend of 1.2705p net per 10p share takes the total to 2.3595p (2.13p), which will absorb £123,010 (£109,322) with an additional 0.0175p to be paid for 1976.

The company has close status.

● comment

Pre-levy profits have continued buoyant at Scottish TV with a rise of 51 per cent., while the pre-tax gain is 24 per cent. Advertising revenue has been increasing apace, and the overall gain of 30 per cent. is right in line with the sector, though to some extent Scottish lagged behind in the closing months because the time scale of its rate card increase is out of step with its contemporaries. This year a 20 per cent. rate increase (effective from the end of February) should make quite an impact when advertising time is nearly fully sold. Last year there was only one price increase, that was 10 per cent. in March. So even though the company is spending fairly heavily on new programmes profits are set for further growth. Meantime overseas programmes sales are gradually increasing though they are still small, and the company has now moved into the black with cash of £220,000, having spent heavily on new studios and equipment during the last few years. The shares took a 9p tumble to 61p—which seems rather harsh—where the p/e is 4.3 and the yield is 6 per cent.

Famous Grouse lifts Highland Distillers

PRE-TAX profits for the six months to February 28, 1977 at Highland Distilleries Co. advanced from £1,445,000 to £1,710,000 on sales of £21m. compared with £15.77m.

The interim dividend is lifted from 0.8p to 1p net per 20p share to reduce disparity with the final. Last year's total was 2.8872p and pre-tax profits totalled £3.55m.

Profits were struck after bank interest of £204,000 (£274,000) and depreciation of £168,000 (£159,000). Tax absorbs £856,000 (£721,000). Comparatives have been restated in accordance with SSAP9.

Sales increased in the first half due to the continuing progress of The Famous Grouse, say the directors. In the home trade sales in the calendar year 1977 showed a good increase despite a declining market and in the first three months of 1978 there has been heavy forward buying ahead of expected industry price increases.

In view of increased costs it is intended to raise the price of The Famous Grouse in the near future. A high level of investment is being made in the number of overseas markets and sales there are also expanding at an encouraging pace.

Orders for new fillings for the calendar year 1978 are marginally ahead of last year. Actual sales of new and mature whisky in the half year under review are at comparable levels to last year.

● comment

The "Famous Grouse" has put Highland Distilleries ahead again. While the industry experienced a 17 per cent. market decline, Highland's home trade sales recorded a good increase l and this was maintained first three months of this y heavy forward buying ah expected price increases industry. Satisfactory grow registered in overseas m particularly Italy, France Japan where in the past r have been slow against th levels of investments. Nc less, the company is sp more to promote the whisky in these countries— as Australia—while it has r appointed new distributors unexciting U.S. market. W expected price increase—lil influence fourth quarter's ings—pre-tax profits in the half may register a rate of similar to the first half and the full year's results just the £4m. level. At 139p, was down 2p yesterday, the provide a prospective p/e

Cargo downturn trims Mersey Docks

FOLLOWING A MARKED downturn in general cargo traffic in the second half, taxable profit of Mersey Docks and Harbour Company declined from £4.38m. to £4.1m. in 1977.

At halfway, when announcing a trading profit of £3.26m., the company warned that figures for the second half would not be as favourable.

Turnover for the year was £62.66m. (£60.77m.), while the amount of general cargo handled fell from 1,384,537 tons to 1,161,329 tons.

The result was after interest charges of £4.17m. (£4.25m.) and a provision for pension liabilities of £0.5m. (£0.8m.).

The company has accumulated tax losses of £49m. and again no tax was paid. There was an extraordinary profit of £2,000 (£25,000), and earnings per share are shown at 20.5p (21.88p).

Sir Arthur Peterson, chairman, largely attributes the group's result to increased efficiency and continued co-operation from the work-force.

On cargoes, he says the marked downturn in general cargo traffic is being experienced at most U.K. ports. "It's a result of the increasing use by the shipping lines of container ships, and the reduction in world trade.

"There is, in the U.K., an excess of cargo handling facilities. Rationalisation within ports is essential to obtain economies. We are therefore taking the necessary steps to reduce our general cargo facilities to match the requirements of trade," he says.

Sir Arthur warns of the danger of a price war between ports, but says that Mersey does not propose seeking unprofitable business.

A further capital repayment of 3p per unit will be made to Redeemable Subordinated Loan Stock holders, which will take £601,000, and lift the total repayment on the stock to 8p per £1 unit.

Reed cutback in Canada

In line with the divestment programme announced in February, Reed Paper of Toronto, the ailing subsidiary of Reed International, plans to sell or close its flexible packaging business in Ontario and Quebec. The operations had been unprofitable for some time.

The Canadian company, which reported an operating loss of $C20m. and extraordinary losses of $C46.2m. for 1977, will retain its flexible packaging plants in Manitoba and Minnesota. These have been profitable and are supplying paper bags and sacks to regional and national customers in Canada and the U.S. Nor do the divestment plans include the company's corrugated packaging business, which will also continue.

The portion of the flexible packaging busines to be disposed of includes the manufacture of paper bags and sacks, folding cartons, and high density polyethylene film and bags that are sold under the Hydene trademark.

The directors say the company has held preliminary discussions with a number of prospective buyers. They also state that Reed Paper's subsidiary, Reed Limited, has sold its drapers' manufacturing and distribution operations to a group of private investors for an undisclosed amount of cash. This operation had been a money loser for a long time

Reed's Sanderson Fabrics distributing business is not included in the transaction and will continue trading.

BARCLAYS BANK

To-morrow's annual general meeting of Barclays Bank is scheduled to begin at 2.30 p.m. and not at noon as indicated in yesterday's diary of the week's financial events.

Cadbury Schweppes U.S.$90m. loan

THE DIRECTORS of Cadbury Schweppes announce that the group has signed a $US90m. (£47m.) 10-year loan agreement with a syndicate of British and American banks.

The loan will be partly used to finance the proposed acquisition of Peter Paul, the U.S. confectionery company, for $58.6m. and will also repay medium-term currency borrowings of $22.5m. And it will provide additional working capital for Cadbury Schweppe's U.S. operations.

The syndicate for the loan has been managed by Kleinwort Benson and Samuel Montagu and Co., and the banks taking part are: Lloyds Bank International, International Westminster Bank, Barclays Merchant Bank, Midland and International Banks, Midland Bank, Kleinwort Benson, Samuel Montagu, the Chase Manhattan Bank N.A., Chemical Bank, Citibank N.A., Morgan Guaranty Trust Company of New York, Bankers Trust Company, Crocker National Bank, and Manufacturers Hanover Trust Company. The loan is repayable by instalments between 1983 and 1988.

British Mohair sees rise

Profits for the first quarter of 1978 of British Mohair Spinners are expected to show an improvement on 1977, Mr. T. W. Hibbert, chairman, says in his review with accounts.

And it would appear prospects for all 1978 are encouraging he says. There are signs that the European market in textiles is tending to improve. Last year's profit of £2.41m. (£2.1m.) would have been higher but for a downturn in European sales.

The signs that indicate an improvement are the renewal of the Multi-Fibre Agreement and that the spending power of the is likely to increase. The the Board confidently p that the demand reduct temporary, he says.

Mr. Hibbert forecasts th group's operations outside engaged in worsted spinnin play a more important r producing higher profits in ing years.

These companies, which duce a wide range of yarns from wool and man-mide last year contributed 35 per of profits.

Mr. Hibbert points out th quantity of mohair produce remained static, so that wi increase in demand the high is likely to remain.

In the year net current of the group increased £6.9m. to £8.64m., with bank drafts reduced from £2.9 £2.33m., creditors down £1.69m. to £1.27m. and stoc from £8.08m. to £8.93m.

Meeting, Bradford, April noon.

MONEY MARKET

Large assistance

Bank of England Minimum Lending Rate of 6½ per cent. (since January 6, 1978)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave assistance by buying a large amount of Treasury bills from the discount houses.

Banks brought forward substantial surplus balances, Government disbursements exceeded revenue payments to the Exchequer, and the market was also helped by a very slight fall in the note circulation. These were outweighed by a very substantial net take-up of Treasury bills.

Discount houses paid 5½-6 per cent. for secured call loans in the early part, and closing balances were taken at 2-5 per cent.

In the interbank market overnight loans opened at 5¾-6 per cent., and touched 6½-6¾ per cent., before falling to 2-3 per cent. at the close.

Rates in the table below are nominal in some cases.

Apr. 3 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills φ	Eligible Bank Bills φ	Fine Trade Bills φ
Overnight	—	2-6½	—	—	—	6⅜	2-5¾	—	—	—
2 days notice	—	—	6¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	6-6¼	6¼-6⅜	—	6⅜	6⅜	5¼-6	—	—	—
One month	6⅛-6⅛	6¼-6⅛	6¼-6⅜	6⅝-6⅜	6½	6⅝	5⅞	5⅞-5⁹⁄₁₆	6⅛	6¾-7
Two months	6½-6⅜	6⅜-6½	—	6¾-6⅝	6¾	—	6-6⅛	5⅝	6⅝	7
Three months	6¾-6⅝	6¾-6⅝	6¾	6⅞-6½	7	7	6⅛-6¼	6-6⅛	6⅝-6⅝	7-7⅛
Six months	7¼-7⅛	7⅜-7½	7¼-7⅜	7⅛-6¾	7⅝	—	—	—	7⅛	7½
Nine months	7⅜-7¼	7⅜-7¼	—	8⅛-7¾	8¼	—	—	—	—	—
One year	8⅛-7⅞	8⅛-8¼	8-8¼	8⅜-8	8⅜	—	—	—	—	—
Two years	—	—	9⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice others seven days' fixed. Long-term local authority mortgage rate nominally three years 10¼-10½ per cent.; four years 10¾-10¾ per cent.; five years 11-11¼ per cent. φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 6⅞-6⅞ per cent.; four-month trade bills 7⅞ per cent.

Approximate selling rates for one-month Treasury bills 5⅞-5¹³⁄₁₆ per cent.; two month 5²⁹⁄₃₂ per cent.; and three-month 5³¹⁄₃₂ per cent. Approximate selling rate for one-month bank bills 6¹¹⁄₁₆ per cent.; two-month 6⅝ per cent.; and three-month 6¼-6¹⁷⁄₃₂ per cent. One-month trade bills 6⅞-6⅞ per cent.; two-month 6⅞ per cent.; and also three-month 6⅞-7 per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from April 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.9962 per cent.

Chas. Hurst tops £0.9m.

AFTER RISING from £560,204 to £599,404 in the first half, pre-tax profits of Charles Hurst finished 1977 ahead from £691,095 to £962,462 on turnover of £45.33m. compared with £36.06m.

With tax taking £604,279 (£404,311) earnings are shown to be up from 13.27p to 16.57p per 25p share and the dividend is lifted from 5.373p to 5.96p net with a final of 3.3p.

The Belfast-based group has interests in the sale, repair and distribution of cars and commercial vehicles, etc.

L & G buys shopping centre lease

Legal and General Assurance has bought the head leasehold of the £17m. Golden Square shopping centre in Warrington from Ravenseft Properties, the development subsidiary of Land Securities Investment Trust.

Legal and General's £810m. Pensions Management Fund now holds a long leasehold on the 8.3 acre site from Warrington Borough Council. Ravenseft has been developing a 300,000 square foot covered shopping centre on the land since 1973, and will remain as development managers on the scheme, which is due for completion late in 1981.

E & O property offshoot in liquidation

English and Overseas Investments announces that its wholly owned subsidiary International Securities has been placed in voluntary liquidation. This action has been taken owing to the inability of the Board of English and Overseas to find a purchaser for the company and there now being no further use for a property dealing company within the English and Overseas group.

The full amount of the investment in International Securities and the amount owing by that company to the group have been written off in previous years.

Downturn at Ash & Lacy to £1.4m.

DESPITE AN increase in turnover from £23.99m. to £24.6m. pre-tax profits of the Ash and Lacy group of metal stockholders and perforators, etc., fell from £1.79m. to £1.4m. in 1977 with £605,000, against £754,000, coming in the first half. Full year earnings are shown at 15.9p per 25p share compared with 21.4p.

The final dividend is 3.6343p net for a maximum permitted 6.6343p (5.986p) total.

	1977 £000	1976 £000
Sales	24,603	23,990
Depreciation	356	325
Interest payable	265	292
Pre-tax profit	1,406	1,785
Tax	754	916
Extraordinary credit†	203	9
Retained	579	638

† Profit on granting long lease on freehold property £206,000 (£12,000) and profit on disposal of quoted investments £31,000 (nil) less tax £34,000 (£3,000).

KENNING MOTOR

A total of 1,807,950 Ordinary shares in Kenning Motor Group have been issued pursuant to the conversion of £1,307,565 of 8 per cent. Convertible Unsecured Loan stock 1989-94.

£2m. deficit at Titaghur

A loss of £2.1m. in India compared with £0.89m. left Titaghur Jute Factory with a pre-tax deficit of £2.01m., against £0.58m. for the year to June 30, 1977 on turnover of £22.78m. (£22.84m.).

The loss per £1 share is shown at 142.3p (42.1p) and again there are no dividends. The last Ordinary payment was 9p gross for 1970-71. Preference dividends were paid to end 1972.

EVO-STICK BUYS FURNIGLAS

Evode Holdings announces that it is to acquire Furniglas, the Hatfield-based polyurethane and wood dye manufacturer.

Retail sales of varnishes and wood dyes are currently estimated at over £6m. per annum, Furniglas the "number two" prdouct.

Evode has been looking ways of diversifying and has attracted towards polyurethane finishes as a logical compl to its brand leading Ev adhesives.

BOARD MEETINGS

The following companies have dates of Board meetings to the Exchange. Such meetings are held for the purpose of considering dends. Official indications are not able whether dividends concerned interims or finals and the sub shown below are based mainly year's timetable.

TO-DAY

Interims—William Boulton, Coats Group, Peters Stores, Cement, Scottish Metropolitan Property.

Finals—Appleyard, Bank of Scotland, Cape Industries, Grattan Warehouses, Greenbank Industrial, Guest Keen and Nettlefolds, Harrison and Sons, Jourdan, Law Land, Richards (Leicester), Savoy Hotel, Watts Blake Bearne.

BIDS AND DEALS

Racal paying £5.4m. for U.S. data company

BY ANDREW TAYLOR

Racal, the fast growing British electronics group, is to buy the Vadic Corporation, a Californian data communications company for £5.35m. This takes Racal's expenditure in the U.S. to £50m. since Mr. Ernest Harrison, the group's chairman, launched a programme of expansion in that country in November, 1976.

The deal is to be financed by way of back-to-back loans through Barclays Bank International. The acquisition—as well as extending Racal's interests in the U.S.—will also broaden the group's product range in systems of transmitting data over public telephone lines; used for computers and other applications. The Californian company will be renamed Racal Vadic Inc.

Since Mr. Harrison announced in the City in 1976 that much of the group's future growth would come from the U.S.—the world's largest and most sophisticated market for electronic hardware—the group has embarked on a busy expansion programme.

This includes the purchase of the outstanding shares in the Milgo Corporation (data communications) for £30m. last year and the acquisition of Dana (electronic testing equipment) for £3m. last October. In addition the group has set up two U.S. companies on its own, Racal Redac (computer aided design) and Racal Airstream (high technology safety helmets), as well as expanding its marketing operations in that country.

This latest deal will provide Racal with new technology in low-speed modems—a device for transmitting data over the public telephone system over shorter distances than the high-speed modems which Racal already manufacture through Milgo.

Vadic, which in the last balance sheet showed net assets of £948,732, earned pre-tax profits of £649,050 on sales of £4.5m. in the first nine months of the current year, while net assets increased to £1.3m. In the last full year, to April 30, 1977, the company earned pre-tax profits of £744,325 on sales of £4.6m. Vadic said that its sales had tripled in the past five years.

Under the terms of the deal five "key executives" of Vadic will purchase a 9.94 per cent. stake in the new company for £517,675 but Racal will have an option to purchase (and the executives to sell) this minority with effect from 1981.

The option, if exercised, will be at a price 10.44 times the minority share of Racal-Vadic's last full-year-after-tax profits — on the same basis as the executives have taken up their minority stake.

PANEL ORDERS FULL BID FOR LONDON & L'POOL TRUST

The City Take-over Panel has instructed several parties, which it deems to have been acting in concert on share dealings—including two subsidiaries of a South African manufacturing company—to make a full bid for London and Liverpool Trust.

The Panel has ruled that Aschheim Securities and W. and A. SA Zug which recently acquired 750,000 shares in London and Liverpool had been acting in concert with clients of the financial group Schlesinger, and who purchased 749,000 shares in the investment trust a year ago (29.9 per cent. of the then issued share capital).

Aschheim and Zug are wholly-owned subsidiaries of W and A Investment Corporation of South Africa. Schlesinger also has strong South African interests.

The Panel says that the parties involved hold 47.58 per cent. of London and Liverpool and under City rules are obliged to make an offer to other shareholders.

Aschheim and Zug acquired its shares for an average of 21p each under options which it had bought.

A formal cash offer of 21p is expected to be sent to shareholders shortly. Directors of London and Liverpool have advised shareholders to take no action until they have had opportunity to study any offer. The trust's shares last night closed at 21½p—requoted after having been suspended at 19p last Thursday.

LETRASET

Responding to week-end comment, Letraset International states that it has received no approach that may lead to an offer being made for the company.

MINING NEWS

Australian alumina venture lures Billiton

BY PAUL CHEESERIGHT

A NEW lease of life has been granted to the $A700m. (£420.5m.) Alwest alumina project in Western Australia with the disclosure yesterday by a Shell Australia spokesman that Billiton, the Royal Dutch Shell minerals unit, is to take a 20 per cent. stake in a new feasibility study.

Alumina is a half-way stage between the mining of bauxite ore and aluminium metal production.

The prospect of a new alumina project in Western Australia has been discussed for eight years. It would use bauxite reserves held by Broken Hill Proprietary and Mr. Rupert Murdoch's News Ltd. as a long-term source of raw materials.

The Shell spokesman said he understood that Billiton's partners in the study would be Reynolds Metals of the U.S. with 35 per cent., Anaconda, the U.S. copper group which is now an Atlantic Richfield subsidiary, with 25 per cent., Kobe Steel of Japan with 7.5 per cent., and BHP and News Ltd. with the remaining 12.5 per cent. between them.

This is a new alignment of shareholdings, brought about by the withdrawal from the project last July of Alcoa of Australia. The project has been nursed along by BHP and News Ltd. while Reynolds has been a long-standing partner.

The possibility of a new Alwest partnership emerging at about this time was foreshadowed in January by Mr. Andrew Mensaros, the Western Australian Mines Minister. It had been the hope of the state Government that construction would start this year and finish in 1981.

Production was originally envisaged at between 0.8m. and 1m. tonnes a year, but presumably this expectation could be changed by a new feasibility study.

It is not clear at this stage when the study will be completed but it is likely to be within months rather than years. The fact that Billiton and Anaconda are committed only to a study and not to the project as such indicates a degree of caution about the future of Alwest.

Anaconda first expressed interest in Alwest last year, but a spokesman explained yesterday that Alwest did not have the same priority for the company as another alumina project in County Limerick where a new facility is being built in conjunction with Billiton among others.

A further increase in world uranium prices has been indicated by the Canadian Government's approval of $45.42 per pound of uranium oxide for Rio Algom's 1979 deliveries to the Tennessee Valley Authority. The latest Nuclear Exchange Corporation quotation in the U.S. gave a spot price of $43.35 per pound.

Announcing the Government's approval yesterday, Mr. George Albino, president of Rio Algom, the Canadian arm of Rio Tinto-Zinc, explained that Rio Algom had a contract to supply the TVA with 17m. lbs between 1979 and 1991. The price is negotiated annually in advance of delivery.

ROUND-UP

Mr. L. W. Slade, Western Australia's new Agent General in London, has taken over from his predecessor, Mr. James Richards, following the completion of the latter's three-year term. Mr. Slade, who has spent ten years as the W.A. State Government's official representative in Japan, says that he will be more concerned with Europe than have been previous Agents General.

* * *

Mitchell Cotts Projects has won a contract from Anglo American in South Africa for design, engineering and management work on uranium plant extensions at the President Brand mine. The portion of the capital expenditure to be managed is about R25m. (£15.27m.).

* * *

The French group, Pechiney Ugine Kuhlmann is disposing of the greater part of its stake in Societe Industrielle des Mines de l'Ouest, a uranium mining concern, to the State-owned Societe Generale des Matieres Nucleaires, whose stake is now 51 per cent.

* * *

The opening of the Sydney gold futures market has been confirmed for April 19. The contract will be for 50 fine troy ounces of refined 99.5 per cent. gold.

Pakistan seeks help for copper venture

BACKED BY A Pakistan Government decision in principle to develop the Saindak copper deposit in Baluchistan at a cost of $210m. (£112m.), the state-owned Resource Development Corporation has started making contacts with international mining groups in Europe, Japan and the U.S.

The RDC has also started discussions with financial institutions like the Asian Development Bank and the Islamic Development Bank with a view to negotiating loans.

Although there is no clear indication at this stage about which company might become involved in the project, the RDC is thinking in terms of a joint venture. The rupee element of the financing would be backed by the Government of Pakistan, while foreign exchange and technology would come from the private sector.

However, the political and economic climate within Pakistan suggests that there will be no international haste to become involved in the project.

In its approach to the development of Saindak, the RDC is following the framework established in a study prepared by Seltrust Engineering, a subsidiary of Selection Trust of London. The study was commissioned by the U.N. and the Dutch Government gave financial aid.

Seltrust worked out a production plan based on the southern deposit, one of three at Saindak. The plan was based on open-pit ore reserves of 75.5m. tonnes, grading 0.426 per cent. copper with a cut-off grade of 0.25 per cent. There are also elements of gold and molybdenum.

An annual production of 14,500 tonnes of blister copper is envisaged, and it is thought there would be no trouble in marketing this quantity.

Aiming at using to the full all the resources of the deposit, Seltrust earmarked the pyrites in the deposit for the production of sulphuric acid at the rate of 145,000 tonnes a year. This part of the plan is geared to reducing Pakistan's import bill and building up the use of local resources in domestic fertiliser production.

At present metallurgical tests are continuing and further results are expected next month.

Seltrust thinks that the production of steel billets from magnetite and pyrites concentrates is technically feasible, but feels that further test work is necessary to support the assumption.

Supposing an international copper price of 80 cents a lb, some 20 cents higher than recent market levels, and internal Pakistani prices of $70 a tonne for sulphuric acid and $280 a tonne for steel billets, Seltrust's study calculates an average annual revenue for Saindak of $60m. (£32m.) a year.

The tone of the study suggests that the development of the deposit is being viewed less in terms of its immediate commercial viability and more in terms of a national project directed towards saving foreign exchange and building up local industry.

AMAX IN NIPPON COPPER DEAL

A major portion of the Amax share of copper concentrate production from the Anamax Twin Buttes mining complex near Tucson in Arizona, which is jointly owned with Anaconda, is to be sold to Japan's Nippon Mining. Last year, Twin Buttes produced 167,988 tons of copper concentrates.

The agreement calls for shipments to begin in 1979, subject to various governmental approvals and final shipping arrangements. Mr. Karl Bergman, president of Amax Copper, said that the sale would have no impact on the company's copper refining operations at Carteret, New Jersey, which are running at full capacity.

StanChart to lift stake in Australian Financier

The Standard Chartered Bank has been granted approval to increase its stake in Australian finance company, Mutual Acceptance from its present 34.5 per cent. to 51.98 per cent. The increase will be achieved through the issue to Standard Chartered of 12m shares in Mutual Acceptance at 85 cents each—a total cost of $A10.2m. (£6.3m.).

A spokesman for Standard Chartered in London said yesterday that the deal arose from Mutual Acceptance's obvious need for a capital injection. But it had the added attraction of offering a controlling stake in the company. This was in line with the bank's normal corporate policy.

Mutual Acceptance says the share issue will increase the company's borrowing capacity by more than $A70m. It should also place Mutual in a more competitive position in its borrowings on the money market and its dealings with institutional supporters and investors. The Board believes that in time it will enable the company to reduce its overall money costs and consolidate the base for a return to a desirable growth pattern.

Like many other finance companies, Mutual was adversely affected by the collapse of the property market in 1973. The company has $A30.8m. locked into unproductive real estate investments, of which $A23m. is in residential land.

The Government has advised that there are no objections in terms of the foreign investment policy.

Philips Industries Holdings—the local offshoot of the Dutch electrical group—holds 14.28 per cent. of Mutual Acceptance's capital. This arose from the finance company purchasing Philips' finance interests six years ago.

Philips has already agreed to the issue to Standard Chartered, which will water the Dutch group's holding down to 10.48 per cent.

An extraordinary meeting will be held to seek the approval of remaining shareholders. Merchant bank, Capel Court Corporation has been retained on behalf of the minority holders to establish whether the 85 cents issue price —20 cents above the current market price—is fair and reasonable.

T & N takes control of Belgian brakes group

TURNER AND NEWALL has purchased a controlling stake in Bureau Technique International SA of Belgium, one of Europe's largest brake shoe relining companies.

The holding of Turner and Newall in Bureau Technique has been increased from 31.9 per cent. to 68 per cent. for an undisclosed sum. "Because Bureau Technique is a family company we normally give an undertaking that when we gain control in such a concern we do not disclose the consideration involved. But it does not represent a significant proportion of our total assets," explained Turner and Newall yesterday.

In its last accounts for 1977 Turner and Newall reported that Bureau Technique had experienced "another very difficult year." The group said yesterday that although Bureau Technique had been making profits "the return on capital employed was unsatisfactory. With our closer relationship we are hoping to improve the management."

At the same time that Turner and Newall has increased its stake Societe Anonyme Francaise du Ferodo, in which Turner and Newall holds 9.9 per cent. of the equity, has raised its holding from 14.9 per cent. to 32 per cent.

Both Turner and Newall and Societe Anonyme intend to co-operate closely in the future development of Bureau Technique. Turner will provide, through Ferodo Ltd. (U.K.), management advice, distribution know-how and plans for market extension, and Societe Anonyme, which is already well diversified in motor components manufacturing in Europe, its specialist technical back up.

Angry response to Lon. Sumatra rejection

McLeod-Sipef reacted angrily yesterday to the London Sumatra Board's rejection of its revised bid of 150p per share.

A spokesman said: "We are unable to reconcile the rejection by the Board of London Sumatra of an offer of 150p per share with the recommendation by the Board of Harcros of an offer from Harrisons and Crosfield which apparently valued Harcros' 10 per cent. in London Sumatra at less than 80p per share."

The statement reflects astonishment that the Boards of two companies within the Harrisons and Crosfield empire have such very different ideas of the value of London Sumatra.

The Harrisons and Crosfield group seems, in McLeod-Sipef's eyes to be having its cake and eating it.

The rejection of the revised offer is backed by the financial advisers to London Sumatra, Robert Fleming, who earlier went on record saying that it would be concerned if the share price of London Sumatra fell back substantially after a rejected bid. London Sumatra's shares stood at only 58p six months ago and yesterday fell back 12p to 133p after the rejection was announced.

London Sumatra has been advised that all the companies in the Harrisons and Crosfield group which have shares in the company do not intend to accept the revised offer. Their holdings total 42.3 per cent.

PILKINGTON TO BUY DANISH GLASSMAKER

Pilkington Brothers has made an agreed bid for Thorvald Pedersen A/S, the Danish glass-making company.

The takeover is being made through Pilkington's wholly owned subsidiary Pilkington Floatglas AB of Sweden. Thorvald Pedersen has an annual turnover of £9.7m.

Mr. Tage Vestergaard, the administrative director of Thorvald Pedersen said approval of the bid was assured since the Board controlled 60 per cent. of the company shares, which were held in a trust fund.

The latest bid follows the group's purchase of another Danish glass producer Glasalstrup A/S last December, and marks another attempt by Pilkington to build up its markets in Scandinavia.

GORDON JOHNSON SHARES UP 5p

Engineering group Gordon Johnson-Stephens which is on the receiving end of a £1.6m. agreed bid from Simon Engineering had its shares restored to the Stock Exchange listing after it announced that an offer document had now been issued. The shares rose 5p to 23p.

DAMAGES CLAIM BY CRELLON

Crellon Holdings, the electronic components distributor which announced last week that it was in advanced negotiations with a possible bidder is claiming significant damages—thought to be around £¼m.—as result of problems which it says it has experienced with a new computer installation and which it claims badly affected its first-half results.

The mystery bidder is also thought to be examining the current performance of the computer installation and its name is not expected to be revealed until this has been completed—possibly next week.

REDIFFUSION

Philips Electronic and Associated Industries on March 29 increased its holding in Rediffusion to 6,750,000 shares (over 8 per cent.) and its holding on March 31 was 6,775,000 shares—previous holding was 5,805,000 shares.

NORTH AMERICAN NEWS

Goodyear sees first quarter downturn

AKRON, April 3.

GOODYEAR TIRE and Rubber expects first quarter earnings to fall short of last year's record, but there are solid indications of a pickup which could carry through the remainder of 1978, the chairman Mr. Charles J. Pilliod, Jr., told the annual meeting.

Income will be well behind the first quarter of 1977, when the company earned $59m. or 82 cents a share on revenues of $1.6bn., the chairman warned, because of the severe effects of the coal strike and the tough winter weather.

Meanwhile thhe company intends to adhere to a policy of retaining majority control of *all foreign subsidiaries*, said Mr. Pilliod. He was referring to the Indian Government seeking a reduction in the company's interest *in its subsidiary there* to 40 from 60 per cent. The company, he said, will look at its Indian offshoot with a view to improving efficiency to compete satisfactorily against local companies. "If this fails we will then take another look at our total investment in India to see what course is recommended," Mr. Pilliod said.

Agencies

Southern slides

Southern Company, the *Atlanta* utility concern, reports a 24 per cent. fall in pre-tax earnings for the first two months of 1978 to $35.4m. or 26 cents a share against $46.6m. (38 cents a share) in the corresponding period of last year, on revenues 8 per cent. ahead at $466m. For the full year, however, the company managed a 10 per cent. rise in profit at $1.86 *a share* against $1.77 on sales 17 per cent. ahead at $2.7bn., AP-DJ reports from Atlanta.

Beker Industries loss

THE troubled Beker Industries corporation has disclosed that its loss from continuing operations in 1977 totalled $3.3m. In the *previous year, the loss from* continuing operations was $11.2m. reports AP-DJ from New York.

This 1977 loss includes net foreign currency translation loss of $1.6m. and start-up expense of $2.1m. relating to the company's new German plant.

Hoist & Derrick dips

American Hoist and Derrick, the St. Paul, Minnesota-based engineering concern reports a *fall* of over 40 per cent. in profit for the first quarter of 1978 to $2.5m. or 44 cents a share from $4.5m. or 91 cents for the same period last year, agencies report. Sales were ahead at $116m. against $112m. Company *president* Mr. *Robert P. Fox* blames the downturn on a "continuation of the heavy pricing pressure" experienced during the second half of last year.

Kennecott joins battle with Curtiss

BY JOHN WYLES

NEW YORK, April 3.

KENNECOTT Copper Corporation this morning launched its first public salvoes against Curtiss-Wright's proxy bid to dislodge its 17-man Board of directors.

In a barbed letter to shareholders, *also published in full* page newspaper advertisements, Kennecott asked some pointed questions about Curtiss-Wright's motives and vigorously defended last year's $567m. acquisition of Carborundum Company.

Curtiss-Wright, a New Jersey based manufacturer of aerospace and nuclear power equipment, is seeking the election of a list of *17 directors* committed to selling off Carborundum and distributing the proceeds to shareholders.

Curtiss-Wright's attack is based on its $77m. purchase of 9.9 per cent. of Kennecott stock. In its shareholders' letter, Kennecott *claims* that Curtiss-Wright did not own a single one of its shares until a week after the Kennecott Board had approved the Carborundum deal. "If Curtiss-Wright objected to that acquisition, why did it then buy Kennecott stocks?" asks the Kennecott letter.

Kennecott urges its shareholders to make a judgment as to whether Curtiss-Wright's programme "is a mere campaign promise or a realistic plan." Shareholders should know, says Kennecot, that eight days before Curtiss-Wright announced its "programme" its chairman and president, Mr. T. Roland Berner met Kennecott's chairman, Mr. *Frank Milliken and president* Mr. William Wendel.

Mr. Berner allegedly said then that he had no specific plan for *selling* Kennecott assets for distribution to shareholders. He admitted that he had no knowledge of Kennecott's future capital requirements, and that he did not have enough information to determine the value of Kennecott's components and "he admitted he did not have the information to determine what really was in the best interests *of Kennecott's stockholders.*"

The Kennecott letter attempts, by implication, to demonstrate that Curtiss-Wright, under Mr. Berner, has an unimpressive record for distributing profits to shareholders. It points out that in the five years to the end of December, 1977, Curtiss-Wright's cash and cash equivalents have ranged between $52m. and $89m. while long-term debt has never exceeded $3.4m. During this period no special dividend was paid to Curtiss Wright stockholder, no dividends were *paid at all in 1973, on either* class "A" or common stock, and during the five-year period dividends paid on both classes of stok averaged approximately 25.2 per cent. of net earnings.

Kennecott said that after the sale of Peabody Coal Company for more than $1bn., its directors considered "substantial direct distribution" of some of the proceeds. But this was rejected as not being consistent with maintaining a viable company, particularly since Kennecott "faced a possibly extensive period of negative cash flow from the copper business, which, as you may know, has been in a depressed state worldwide."

Meanwhile, Judge David Winder of the Third District Court of Utah to-day vacated the temporary order he had issued on March 21 restraining Curtiss-Wright from soliciting proxies or voting its holding in Kennecott *at the shareholders' meeting on* May 2. The judge also refused to grant the State of Utah a preliminary injunction against Curtiss-Wright.

The State of Utah had gone to court to delay the takeover, armed with a recently enacted law which it accused Curtiss-Wright of violating by not notifying the State of its stock purchase.

Judge Winder ruled in favour of Curtiss-Wright, saying that the Utah courts had no jurisdiction over the acquisition of the stock. Attorneys for the State said that they expected to appeal to the Utah Supreme Court.

GAF sale to German concern

NEW YORK, April 3.

GAF Corporation has changed its mind and sold its dyestuff plant and busines in Rensselaer, New York, to a West German company for $23.7m. in cash and notes. The company had originally planned to sell the plant to a different buyer.

GAF is also negotiating an agreement whereby it would manufacture Argus slide projectors and Dual 8 film projectors *for Interphoto Corporation*, a camera distributor.

The company announced last December an agreement in principle for the sale of the Rensselaer plant to Rensselaer Color Corporation for $15m. in cash and $8m. of subordinated securities. Rensselaer Color is owned by Wm. Sword, of Princeton, New Jersey, an investment-banking concern.

However, *GAF decided instead* to sell the plant for a slightly higher price to BASF Wyandotte Corporation for $21.2m. in cash and $2.5m. note maturing in January 1979.

Meanwhile in Toledo, Ohio, Questor Corporation says it has agreed to sell its Muskegon Piston Ring division to a West German piston ring manufacturer for $26m.

Questor will sell the division to Goetzewerke Friedrich Goetze AG, a privately owned supplier to European car makers based in Burscheid, West Germany. The purchase price includes $2m. to be paid during the two-year period following closing of the sale for "management services and other considerations." Questor adds that the sale will be *effective April 30.*

The division has plants in Muskegon and Sparta, Michigan, and Wausau, Wisconsin. In 1977, the piston ring division had pre-tax earnings of $5m. on sales of more than $50m.

The maker of car parts, sporting goods, juvenile and home furnishing products decided to sell the piston ring division *because of the "anticipated* changes" in car pistol ring design and the resulting "heavy capital investment requirements in the next four years" to meet those designs. The company said it would use the proceeds from the sale for reduction of its debt and expansion of its other units.

AP-DJ

Standard Oil confident of growth

NEW YORK, April 3.

STANDARD OIL (Indiana) is confident it can maintain past *earnings growth and rate of* return, chairman Mr. John E. Swearingen said to-day. Since *1960 earnings* have increased at an annual compound rate of 12 per cent.

Higher prices expected for oil and gas *in the future will help* sustain growth in profits, Mr. Swearingen declared. "Inflation of costs will be a factor, but on the whole we believe higher prices will bring our company higher earnings."

*The company's current objec*tives are a 13 to 15 per cent. return on equity and the payment of 35 to 40 per cent. of earnings in dividends. In 1977 the company earned $1.01bn. or $6.90 a share—up 14 per cent. on the previous year.

Capital spending in 1978 will total $2.3bn. compared with $1.9bn. last year, of which $1.1bn. *will be spent on exploration and* development in the U.S. compared with $780m. previously, the chairman added.

U.S. development spending will be concentrated in the Williston basin, North Dakota, and the Michigan basin, together with the Appalachians, where the company recently made a significant gas discovery.

Mr. George V. Myers, president, said the company expects by 1979 to add 25,000 barrels of oil and 350m. cu. ft. of gas to its daily net production from the Gulf of Mexico, enabling it to at least maintain current domestic output for the next several years.

The outlook for overseas production and earnings in 1978 was bright, he declared, helped by 1977 discoveries in Egypt, Spain, Colombia and Trinidad.

The petrochemical business remained a strong growth industry, he added, in spite of changing from production to sales limits. The company was convinced supply and demand of petrochemicals will return to balance over the next few years, and the company's size, raw *material supply and new produc*tion facilities will enable it to capitalise on long-term growth in chemicals.

Agencies

Quebec well placed to win new GM plant

By Robert Gibbens

MONTREAL, April 3.

WHILE a final decision is unlikely before autumn, Quebec appears to be leading Ontario as the location of a General Motors aluminium-alloy castings plant.

Both federal and provincial *Governments of Quebec* and Ontario and Alcan Aluminium have confirmed that talks have been held with General Motors on the location of such a plant in Canada, on the scale required for the North American market, and using the transfer direct of hot metal from an aluminium smelter to the castings plant. Alcan will only say talks have been held with both GM and Ford, which have been completed, and now it is up to either car company to decide "*in the light of the overall* economics of auto manufacture."

However, Ontario Industry *Minister*, John *Rhodes*, says Quebec may well get the plant if GM decides to locate in Canada rather than one of three American states, because Quebec has nearly 700,000 tons of primary aluminium capacity at Arvida, *north of* Quebec City, Shawinigan and *Beauhar*nois, near Montreal. There are no primary smelters in Ontario, and direct transfer of hot metal would probably be vital to the plant's economics.

Mr. Rhodes also says the Federal Department of Regional Expansion, under revised policies of directing *grants more to high unemploy*ment areas, including Montreal, has made an offer of substantial aid to GM if it decides on Quebec.

GM has a car assembly plant near Montreal, making mid-sized models for the Canadian and north-east U.S. markets, and is setting up its main Canadian bus assembly *plant* also near *Montreal.* Some sources claimed the Province's recent $100m. bus order was awarded to GM Canada against the competition of Bombardier-MLW using American Motors' designs because the Government wanted the castings plant.

Some reports have said the castings plant would make *aluminium-alloy manifolds and* possibly cylinder heads and even engine blocks, though sheet products are unlikely. The use of greater amounts of aluminium in cars, however, is now undergoing new scrutiny in the U.S. auto industry because of high costs against some newer steels.

Cost of the proposed plant *in Canada has been unofficially* estimated at about $400m., and federal and provincial grants to the company would be up to $180m.

Tough winter hits Marshall Field profits

By John Leech

CHICAGO, April 3.

MARSHALL FIELD has reported a 12.5 per cent. drop in profits on record sales of $662.7m. for 1977.

The Chicago retailer, which recently fought off a take-over bid by Carter Hawley Hale reported a profit of $15.9m. or $1.76 a share compared with $18.1m. ($2.01 per share) on sales of $609.9m. in 1976.

The company said that the 1976 figures included non-recurring gains of 43 cents per share *from* real estate transactions, while the 1977 figure included losses amounting to 23 cents per share, including a full year's operation of Chicago's vertical shopping mall at Water Tower Place. In 1976 these losses, including only two months operation of Water Tower Place, were 14 cents per share before non-recurring gains.

The company president, Mr. Angelo Arena said the momentum of strong operating gains in retail operations during the first nine months of the year was reduced by severe winter conditions in the fourth quarter.

Sales in this quarter increased 7.1 per cent. to $213.3m. from $199.2m., but net income slipped to $9.4m from $12.4m. in the previous year.

For the full 1977 year, the Chicago stores division showed the largest percentage increase in profits, Mr. Arena said. Of the other divisions, Frederick and Nelson had the greatest sales percentage *increase and* Crescent Stores had a satisfactory year.

But the Halle Stores had disappointing results, partly due to severe winter.

State and banks to provide $117m. in KSH rescue pla[n]

BY CHARLES BATCHELOR

AMSTERDAM, Ap[ril 3.]

THE DUTCH State and a group *of banks have agreed to provide* credits worth Fls.252m. ($117m) to the troubled starch and foodstuffs group, Royal Scholten-*Honig (KSH).*

This will enable the company to keep operating until the break-up of its various divisions can be arranged. The State also proposes taking a 40-49 per cent. holding in one of KSH's starch-making subsidiaries, Verenigde Zetmeelbedrijven of Koog aan de Zaan.

KSH's bankers will provide Fls. 120m. in credits, while Government aid will be Fls.132m.—including a Fls.34m. credit which was announced last month. The *Government credit is aimed at* covering the company's short-term operating losses and is not meant to pay off long-term creditors.

This is to prevent the State aid going straight to the banks and other creditors.

The direct State holding in the starch subsidiary will dep[end on] whether the company c[an be] made profitable over the [next] two to three years. The r[emain]ing interest in this sub[sidiary] would be taken over by [other] companies anxious to acq[uire a] stake in KSH.

It is now negotiating w[ith the] two largest Dutch sugar [proces]sors, Centrale Suikermi[j] Suikerunie, as well as the *group Royal Wessanen* a[nd a] potato starch co-operative over the sale of parts operations.

The Minister of Agric[ulture] Mr. Fons van de Stee ho[pes] firm offers from these con[cerns] to be made some time thi[s] He is due to present h[is pro]posals to save KSH to t[he per]manent parliamentary c[ommit]*tees of Economic Affai[rs and]* Agriculture on Thursday wants the rescue plan f[or] to be completed by ear[ly] month.

EOE sets trading hours

BY OUR OWN CORRESPONDENT

AMSTERDAM, Ap[ril 3.]

THE EUROPEAN Options Exchange (EOE) will limit trading this week to *a* daily two-hour *period only*, and trading hours next week will depend on the volume of business in the first few days. On April 4, the official *opening day of the EOE, there* will be no trading.

When the exchange is operating fully it will be open for a six-hour trading session between 10.30 a.m. and 4.30 p.m. These opening hours have been chosen to allow the EOE to function in parallel with other European exchanges and to permit an overlap at the end of the d[ay with] U.S. trading hours.

The exchange announ[ced] expiry months and prices for the nine option[s] in which trading sta[rts to]morrow. The expiry mo[nths for] the three British stoc[ks ...] GEC and BP—are F[ebruary,] May, August and No[vember.] Trading will begin in t[he May] to November months.

Expiry months for th[e ...] Dutch and three U.S. sto[cks will] be January, April, Ju[ly and] October. Trading will b[egin in] the July and October c[ontracts] only.

Montedison fraud trial

BY PAUL BETTS

ROME, Ap[ril 3.]

MORE than 30 people are to stand trial in connection with the so-called "black funds" scandal involving the Milan chemicals conglomerate Montedison.

The decision was announced today by the Rome magistrate, Sig Ernesto Cudillo, who has conducted a protracted investigation into an affair dating back to the *1960s.*

The magistrate has indicted 32 people, including then officials of the Edison Electrical Company, which merged with Montecatini to form the Milan conglomerate, on charges of allegedly falsifying company balance sheets.

*The charges relate to t[he com]*pany's so-called "black [funds"] said to amount to so[me L.] 50bn., about $59m., the [magis]trate claimed to-day. [The] funds, according to p[ress] reports here, were use[d princi]pally for political party p[urposes] to secure, among other[s] favourable trading an[d] concessions following th[e closure] *of the Suez Canal*

The magistrate has in[dicted a] further four people on c[harges of] alleged fraud against th[e ...] These charges *refer to* [...] of radio equipment to th[e] army, according to the [magis]trate.

Strong start at Penney

BY OUR OWN CORRESPONDENT

CHICAGO, April 3.

J. C. PENNEY, the country's second largest retail group, had a 20 per cent. rise in sales in the first seven weeks of its new fiscal year, its chairman, Mr. Donald Siebert, told financial analysts in San Francisco. His words confirmed the earlier *prediction of another good year in* 1978, following a rise in net income from $228m. to $295m. ($4.51 a share) in 1977, which culminated in peak trading in the final quarter.

"Up to now we see no apparent reduction in consumer demand for general merchandise," he said. He predicted healthy retail sales throuhout the year but said it would be stronger in the first half.

He said that although the company has not had to sacrifice profit margins so far, he expected margins to be "under some pressure" during the remainder of the year because of the competitive situation in the industry.

Corning Glass earnings slip

NEW YORK, April 3.

CONSOLIDATED net income of Corning Glass Works for the first quarter slipped from $24m. *to $22m., or from $1.36 to $1.24* per share. Mr. Amory Houghton Jnr., chairman, said that the first quarter *shortfall occurred during the first four weeks of* the quarter. Business rebounded strongly in the last eight weeks he said. Sales for the quarter rose from $269.4m. to $279.9m. Profit for the last full year was $92m.

AP-DJ

Coal strike cuts Chessie

CLEVELAND, April 3.

CHESSIE System, *the railway* holding company reports a first quarter net loss of $66.9m., up from the year-ago figure of $7.4m. *Revenue for the latest period* was $255m. against $315m.

Chairman Mr. Hays T. Watkins blames the coal strike and the tough winter, saying that if it had not been for these factors, the company would have had a profitable first quarter. The coal dispute cost some $69m. in lost earnings, while the weather cut a further $12m. from profits.

AP-DJ

EUROBONDS

DM250m. for Norway

BY MARY CAMPBELL

NORWAY last night kicked off the April calendar in the D-Mark sector with a DM250m. issue for five years. The issue will carry an indicated coupon of 4¾ per cent., which is in line with the yield on the last issue but marks a further *low point for coupon* levels. Deutsche Bank is lead manager.

In general, D-Mark prices were more or less unchanged yesterday. Mexico's DM200m. offering was priced at par and initial trading indications were for a discount of over 2 points on the bid side. Dealers had not yet, however, received their allotments.

Primary market sources said last night that the details of the *April calendar of new* issues agreed at a meeting of the Capital Market Sub-committee yesterday were not yet known, but that the number of issues and therefore also the value of paper scheduled for offering would be lower than in March. Issues totalled somewhat under DM1bn. were expected.

In the dollar sector, Ishikawajima Harima has launched a $50m. floating rate note under guarantee of Dai-Ichi Kangyo Bank. As expected, the issue, for which First Boston (Europe) is lead manager, offers a margin over inter-bank rates of a quarter of a point subject to a minimum of 5¾ *per cent.*

Apart from this ne[w] announcement, trading [...] and all was quiet in th[e] sector. Dealers repor[ted sur]prise at the fact tha[t ...] hardly eased despite [the an]*nouncement of the rec[ord]* trade deficit last Frida[y after]noon.

In the sterling sec[tor the] terms of the Gestetne[r issue] were set—the coupon w[as set] at 11 per cent. and th[e issue] price at par. The cou[pon had] initially been indicated [...] per cent., but last Fri[day fol]lowing the sharp falls i[n ...] last week, *Morgan Gren[fell]* lead manager, said th[e] coupon would be raise[d by an] unspecified amount.

Prices of Eurosterlin[g bonds] were steady yesterda[y with] dealers indicating a [...] *firmer tendency if anyth[ing]* in thin trading conditio[ns].

The Mexican Banco [...] de Obras y Servicios Publ[icos] launched a 7m. Kuwait [dinar] issue. Managed by Kuwa[it Inter]national Investment B[...] offers 8¾ per cent. on a [...] final maturity. Bondhold[ers have] an option to redeem afte[r ...] years. Offering price [...] *open.*

The coupon is the lo[west on] an international issue in [...] dinars in recent times.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	96	96½
AMEV 8pc 1987	96	96½
Australia 8½pc 1992	94½	95½
Australian M. & S. 9½pc '92	98	98½
Barclays Bank 8¾pc 1992	97	97½
Bowater 9½pc 1992	97½	98½
Can. N. Railway 8¾pc 1986	98	98½
Credit National 8¾pc 1986	97	97½
Denmark 8¾pc 1984	100	100½
ECS 9pc 1995	98½	99
ECS 8¾pc 1997	95½	96½
EIB 8¾pc 1992	*98*	*98½*
EMI 9½pc 1989	98	98½
Ericsson 8¾pc 1989	96½	97
Esso 8pc 1986 Nov.	101½	102
Gt. Lakes Paper 8¾pc 1984	98½	99½
Hamersley 9¾pc 1992	*99½*	*100½*
Hydro Quebec 9pc 1992	96½	97
ICI 8¾pc 1987	97	97½
ISE Canada 9¾pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	96½	97
Massey Ferguson 9¾pc '91	95½	96½
Michelin 9¾pc 1988	102½	103
Midland Int. Fin 8¾pc '92	98	98½
National Coal Bd 8pc 1987	94½	95½
National Wstmnstr 9pc '86	101½	102½
Newfoundland 9pc 1989	100½	101½
Norges Kom. Bk 8¾pc 1992	96½	97½
Norpipe 8¾pc 1989	98	98½
Norsk Hydro 8¾pc 1992	96	96½
Oslo 9pc 1988	101½	102½
Ports Autonomes 9pc 1991	98½	99½
Prov. Quebec 9pc 1995	96½	97
Prov. Saskatch. 8¾pc 1986	99½	100½
Reed International 9pc '87	92½	94½
RHM 9pc 1992	93	93½
Selection Tst. 8¾pc 1989	90½	91½
Skand. Enskilda 9pc 1991	99½	100
SKF 8pc 1987	92½	93½
Sweden (K'dom) 8¾pc 1987	95½	96½
United Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	93	93½
NOTES		
Australia 7¾pc 1984	96	96½
Bell Canada 7¾pc 1987	94½	95½
Br. Columbia Hyd. 7¾pc '85	94½	95½
Can. Pac. 8¾pc 1984	99½	100½
Dow Chemical 8pc 1986	96½	97½
ECS 7¾pc 1982	96½	97½
ECS 8¾pc 1989	95½	96
EEC 7¾pc 1982	96½	97
EEC 7¾pc 1984	95½	96½
Enso Gutzeit 8¾pc 1984	96½	97½
Gotaverken 7¾pc 1982	97½	98½
Kockums 8pc 1983	98½	99

	Bid	Offer
Michelin 8½pc 1983	99½	100½
Montreal Urban 8¾pc 1981	101	101½
New Brunswick 8pc 1984	96½	97½
New Bruns. Prov. 8¾pc '83	100½	101
New Zealand 8¾pc 1986	98½	99
Nordic Inv. Bk. 7¾pc 1984	95½	96
Norsk Hydro 7¾pc 1982	97½	98½
Norway 7¾pc 1982	*96*	*96½*
Ontario Hydro 8pc 1987	96½	97
Singer 8¾pc 1982	100½	101½
S. of Scot. Elec. 8¾pc 1981	99½	100½
Sweden (K'dom) 7¾pc 1982	97½	98½
S. of Scot. Elec. 8¾pc 1981	*99½*	*100½*
Telmex 9½pc 1984	99½	100½
Tenneco 7¾pc 1987 May	94	94½
Volkswagen 7¾pc 1987	94½	95½
STERLING BONDS		
Allied Breweries 10½pc '90	95	95½
Citicorp 10pc 1993	94½	95½
Courtaulds 9½pc 1989	94½	95½
ECS 9½pc 1989	96½	97
EIB 9½pc 1988	97½	98½
EIB 9½pc 1992	93½	94½
Finance for Ind. 9½pc 1987	93½	94½
Finance for Ind. 10pc 1989	95½	96½
Fisons 10½pc 1987	98½	99½
INA 10pc 1988	94½	95½
Rowntree 10¾pc 1988	94½	95½
Sears 10¾pc 1988	94½	95½
Total Oil 9½pc 1984	94½	95½
DM BONDS		
BFCE 5¾pc 1988	100½	101½
BNDE 6½pc 1986	97½	98½
CFE 6½pc 1988	97½	98½
Denmark 5¾pc 1984	100½	101
ECS 5¾pc 1990	97½	98½
EIB 5¾pc 1990	97½	98½
Euratom 5¾pc 1987	100	100½
Eurofima 5¾pc 1988	100½	101
Finland 5¾pc 1986	99	99½
Forsmarks 5¾pc 1990	99½	100
New Zealand 5¾pc 1988	100½	101½
Norcem 5¾pc 1989	100½	101½
Norway 4¾pc 1983	101½	102
Philippines 6¾pc 1985	97	97½
Sweden 6pc 1989	*101½*	*102½*
Tauernautobahn 5¾pc 1993	100	100½
TVO Power Co. 6pc 1988	99	99½
Venezuela 6pc 1988	99	99½
World Bank 5¾pc 1990	99½	100

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 7 15/16 pc	99½	99½
BFCB 1984 8½pc	99½	99½
BNP 1983 8 1/16 pc	99½	99½
CCF 1983 8pc	99½	100½
CGMF 1984 7¾pc	98½	99
Creditanstalt 1984 7¾pc	99½	99½
Credit Lyonnais 1982 8pc	99½	100
DG Bank 1982 7 13/16	99½	100½
GZB 1981 8 1/16 pc	100½	100½
Intl. Wstmnstr '84 7 15/16 pc	99½	100½
Lloyds 1983 7¾pc	100½	100½
LTCB 1983 8pc	99½	100½
Midland 1982 8pc	101	101½
Midland 1987 7 11/16 pc	99½	99½
OKB 1983 7¾pc	99½	100½
SNCF 1985 8¾pc	99½	99½
Std. and Chtrd. '84 7 11/16 pc	99½	100
Wms. and Glyns '84 8 1/16 pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¾pc '87	82½	84
Ashland 5pc 1988	85½	87
Babcock & Wilcox 6¾pc '97	93½	94½
Beatrice Foods 4¾pc 1992	93½	95
Beatrice Foods 4½pc 1992	108	109
Beecham 6pc 1992	95	98
Borden 5pc 1992	99½	101½
Broadway Hale 4¾pc 1987	78½	80
Carnation 4pc 1987	76½	78
Chevron 5pc 1988	123½	134

	Bid
Dart 4¾pc 1987	77
Eastman Kodak 4½pc 1988	81
Economic Labs. 4½pc 1987	77
Firestone 5pc 1988	80
Ford 5pc 1988	85
General Electric 4¼pc 1987	81
Gillette 4¾pc 1987	73
Gould 5pc 1987	109
Gulf and Western 5pc 1988	84
Harris 5pc 1992	148
Honeywell 6pc 1986	88
ICI 6¾pc 1992	88
INA 6pc 1997	95
Inchcape 6¾pc 1992	108
ITT 4½pc 1987	78
Jusco 6pc 1992	100
Komatsu 7½pc 1990	125
J. Ray McDermott 4¾pc '87	140
Matsushita 6¾pc 1990	135
Mitsui 7¾pc 1990	127
J. P. Morgan 4½pc 1987	81
Nabisco 5½pc 1988	99
Owens Illinois 4½pc 1987	108
J. C. Penney 4¾pc 1987	77
Revlon 4¾pc 1987	104
Reynolds Metals 5pc 1988	82
Sandvik 6½pc 1988	108
Sperry Rand 4¾pc 1987	84
Squibb 4¾pc 1987	78
Texaco 4¾pc 1988	78
Toshiba 6½pc 1992	132
Union Carbide 4½pc 1982	92
Warner Lambert 4½pc 1987	81
Warner Lambert 4½pc 1988	77
Xerox 5pc 1988	78

Source: Kidder, Peabody Sec[urities].

INTERNATIONAL FINANCIAL AND COMPANY NEWS

GERMAN COMPANIES

Cold comfort at Kloeckner-Werke

BY GUY HAWTIN

FRANKFURT, April 3.

THERE WERE FEW crumbs of comfort for shareholders in to-day's report from Kloeckner-Werke, West Germany's third largest steel producer. There will again be no *dividend for* 1976-77—the third blank year in a row—and the management is unable to forecast a resumption.

Management can hardly be blamed for this. Last year, in the words of chief executive Dr. Herbert Glenow, was "the blackest year for steel" since the war. There are few signs of an early improvement in the *industry's* situation.

Furthermore, it was clear to the some 40,000 shareholders early last year that a 1976-77 payout was unlikely, while in December, 1977, it was manifest that 1977-78 could hardly be expected to produce a return to the dividend lists.

Dr. Glenow announced that Kloeckner's 1976-77 losses totalled DM270m. (£72.2m.). There had been an improvement in orders for rolled steel products during the first five months of the year, but even so any forecast about a resumption in dividend "would be pure speculation," he said.

The decline in earnings and in order volumes had been so great that current improvement could only be viewed with cautious optimism. In the first five months of 1977-78, which started on October 1 last year, monthly average rolled steel output stood at 312,000 tonnes, which was some 5.2 per cent. below the level of 1976-77. In the crude steel sector, monthly output averaged 338,000 tonnes—5.5 per cent. beneath the previous year's performance.

This drop in production was matched by an even greater decline in monthly average turnover—illustrating the pressure on prices. The group's monthly external turnover averaged DM321m., which was 6.6 per cent. below the previous year's average.

Kloeckner is continuing its policy of cutting back wherever possible to save money. This means further rationalisation, together with its corollary of further reduction in its labour which was already hard hit last year. In the first five months of the business year some 500 workers lost their jobs with the parent concern alone by the year-end it planned that the total will reach some 1,200 workers—or about 8 per cent. of the labour force.

Losses in 1976/77 came entirely *out of the steel making sector.* Kloeckner-Werke's steel processing operations broke even and, indeed, would have produced profits had it not been for problems at the group's Osnabrueck works.

In 1975/76, when steel making made a loss of DM135m., it was offset by a DM40m. profit from the processing sector. The steel sector total losses of DM95m. had, themselves, been more than compensated for by earnings in other areas and the group declared a net of DM135,837.

This year there were no profits. However earnings from sales of real estate and shareholdings, together with increased depreciation, produced a total of DM264m which reduced the *group's net balance sheet loss* to DM95m.

Group external turnover in 1976/77 totalled DM4.12bn., 1.1 per cent. down on the previous year's DM4.17bn. Turnover in the steel making sector declined by 2.4 per cent to Dm. 2.65bn., while in the processing sector it showed a slight 1.4 per cent. *increase to DM1.47bn.*

Prospects bright at Linde

BY OUR OWN CORRESPONDENT

FRANKFURT, April 3.

LINDE, the Wiesbaden-based plant, engineering and construction group, to-day announced that it is expecting "satisfactory profits" for 1978. This follows the group's best year ever in 1977 when earnings substantially exceeded the group's expectations.

Herr Hans Meinhardt, the *group's chief executive, was* unwilling to make any firm forecasts on the 1978 earnings front. There was too much uncertainty—primarily as a result of the current pay dispute in the metal industry and the uncertainty in the foreign exchange markets—for profit projections so early in the year, he said.

Prospects for a suitable encore to *1977's performance look reasonably* bright, however. The development of business during the first two months of 1978 have been more than satisfactory with turnover up 3 per cent. to DM132m. and the inflow of orders a hefty 135 per cent. ahead at DM533m. ($262m.). Turnover for the year as a whole is forecast to rise by about 10 per cent.

At the end of February the group's order book stood at *DM2.62bn.* ($1.3bn.)—9.2 per cent. about the level at the same point of 1977. The main reason for the increase was a rise in bookings in the plant sector which is normally very quiet during the opening months of the year. Here there was a substantial boost from BASF's DM294m. order for a petro-chemical plant.

The reliance of the plant sector on very large orders naturally made comparisons on short-term progress rather difficult, said Herr Meinhardt. The inflow of orders however, also showed positive developments in other production areas.

So far the decline in the value of the dollar does not appear to be causing Linde major problems on the sales front, although more rationalisation seems on the cards to enable the group to remain competitive.

In 1977 group pre-tax profits advanced from DM69.4m. to DM94.9m. ($47m.) while net earnings rose from DM31.2m. to DM33.6m. Turnover went up from DM1.55bn. in 1976 to DM1.67bn. (£445.9m.) although the inflow of orders decreased *from DM2.25bn. to DM1.62bn.*

Scrip issue and bigger dividend from UOB

By H. F. Lee

SINGAPORE, April 3.

HIGHER profits, an effectively increased dividend and a one-for-ten scrip issue is announced by the United Overseas Bank (UOB)—one of Singapore's "big four" banks.

Group profit for 1977, after providing for taxation, diminution in value of assets and allocation to contingency reserve, increased by 15.4 per cent. to $S28.5m. ($12.3m.).

At the bank level, net profit rose by the higher rate of 20.4 per cent. to $S21.3m.

The group has proposed a final dividend of 7½ per cent., which together with the five per cent. interim dividend paid last year makes a total of 12½ per cent. for the year.

The group has proposed a final dividend of 7½ per cent., making 12½ per cent. for the year. UOB said the 12½ per cent. dividend payment would amount to $S11.7m. This is 43.3 per cent. higher than the amount paid in 1976, when the total dividend rate was also 12½ per cent., but was paid on a smaller issued capital, which has since been enlarged by rights and scrip issues.

The proposed scrip issue, which will be made by capitalising part of the group's share premium account of $S122.3m. will raise UOB's existing issued capital of $S155.65m. to $S171.21m. New shares arising from the issue will not be entitled to the current final dividend.

Tisco to modernise steel mill at cost of $400m.

BY R. C. MURTHY

BOMBAY, April 3.

TATA IRON AND STEEL Company (*Tisco*), the only private sector steel unit in India, is to modernise its ageing steel mill with an investment of 3bn to 4bn. rupees ($350m. to $475m.).

About half of this amount will be in foreign exchange, since the modernisation programme involves the induction of up-to-date technology of steel making to replace the age-old open-hearth furnace process. The company also proposes to add some new product lines.

The modernisation proposal is a refreshing change in the attitude of the company, which had held until recently that a large-scale investment was totally beyond its means, and that this position would continue until the Government - controlled steel prices were set more realistically. It had commissioned Nippon Steel Company to prepare a project report for a major expansion programme of 12bn. to 15bn. reupees, but the plan was abandoned.

Three reasons are given to explain the change in the company's stance. In the first place, domestic demand for steel is picking up. Structurals, small dimension rods and mild steel plates are commanding premiums in the market. As a result, steel producers have swung away from the less profitable export market and are concentrating on the domestic market. Tisco is currently selling, on an average, more steel in a month than it produces, by drawing upon accumulated stocks.

Second, the feeling in business circles is that the Janata Government has a positive approach to industry, an indication of which is an assurance to allow a 12 per cent. post-tax return on capital in the cement industry. And last, there is a green signal from the Government for the expansion of the steel industry, which is dominated by the pu[illegible] sector. The Soviet-aided Bo[illegible] steel plant is to be expand[illegible] 4m. tonnes, and Bhilai steel is to be modernised. An expo[illegible] orientated steel unit is to be set up at Visakhapatnam, Andhra Pradesh.

The product mix of Tisco modernisation programme and the pattern of financing are being worked out. It is certain that the company would opt for producing high-value products like certain alloy steels, high carbon and low carbon steels.

The use of micro-alloyed steels in place of plain carbon steels, says Mr. J. R. D. Tata, the Tisco chairman, is becoming attractive and worthwhile for a large number of industrial and construction purposes because of their higher strength-to-weight ratio, their better external appearance and finish, and their greater durability and resistance to corrosion.

Sharp lift in Cheung Kong profit

BY DANIEL NELSON

HONG KONG, April 3.

CHEUNG KONG Holding, which last year made extensive property purchases, yesterday announced a net profit of $HK85.55m. ($US18.5m.), a 45.3 per cent. increase on 1976. The final dividend is 18 cents, making a total of 32 cents, up 48 per cent., covered 2.4 times. Earnings per *share rose from 52 cents to* 75 cents during the year.

Chairman Li Ka-shing forecast a "significant" increase in profit for 1978. But he expressed fears over the rapid rate of increase in land prices, and said that the company would adopt "a more prudent policy in development planning."

The figures were helped by advance sale of flats but future earnings should reflect a better recurrent income base. Li Ka-shing said that rental income should amount to $HK45m. in 1978. Some $HK25m. of this *from Wynncor, the hotel concern* acquired last year.

* * *

Hongkong and Kowloon Wharf has announced a rise of 14.8 per cent. in 1977 group post-tax profit, to $HK77.31m. ($US16.8m.) from $HK67.34m. in 1976, writes Daniel Nelson from Hong Kong. Earnings per share increased 14.1 per cent., to 89 cents from 73 cents. An extraordinary profit of $HK16.27m. was earned during the year, but is not included in the profit figure.

The final dividend is 53 cents *making a total of 65 cents, a 16* p: cent. increase. The directors expect that earnings and dividents will increase in 1978.

Summarising the year's activities, they note that the Ocean Centre Building was completed during

IDB offshoot's earnings almost doubled

BY L. DANIEL

TEL AVIV, April 3.

THE investment company of the Israel Discount Bank—the only investment company of the Big Three banks which is heavily involved in direct participation in industrial enterprises—reports that its net profit rose in 1977 by 96 per cent.—to I£71.2m. ($4.5m.), of which I£22.7m. represented net capital gains. These figures compare with I£3.3m. in 1976, of which only I£5.7m. were capital gains.

Total earnings per share came to I£0.85 (on a fully diluted basis) per share of I£1 nominal value, against I£0.52 in 1976. The net asset value per share as of *end-1977* was I£410 as against I£341 at end-June, 1976, with current market valuation of the shares just slightly below their calculated value.

The dividend payments will be 18 per cent. cash and 25 per cent. bonus shares, as against 16 per cent. and 10 per cent., respectively, in 1976.

Total balance-sheet assets as of December 31 were I£5.42bn.—up 54 per cent. on end-1976. Total capital and reserves came to I£246m., against I£165m. a year earlier and the investment portfolio to I£233m. as against I£174m. a year earlier.

The various companies in which the investment company holds stock improved their liquidity position during 1977, and productivity improved. The investment company's activities cover mainly its industrial investments, a loan portfolio and the management of eight mutual funds, with I£4.3bn. for its parent company. Among the main industrial investments are Elscint, which is competing on overseas markets in the field of medical electronics, Iscar Cutting Tools, a new aluminium parts plant and so on.

The exports of the industrial enterprises in which the investment company holds stock increased to $60m. in 1977, from $16m. in 1972.

However, the general manager of the investment company, Dan Tolkowsky, while welcoming the Israel Government's floating of the Israeli pound last October and the consequent unification of exchange rates, warned that unless the Israeli pound falls, profitability of exports will decline as local wages and other factors increase costs.

Gain at Bank Bumiputra

By Wong Sulong

KUALA LUMPUR, April 3.

BANK BUMIPUTRA, the Malaysian Government-sponsored bank to help the country's Malays, has reported a 27 per cent. increase in pre-tax profits for last year.

The group's pre-tax profits for 1977 was ringgits16.3m. ($US6.9m.), compared with ringgits12.6m. in 1966. The bank itself recorded a 23 per cent. increase in pre-tax profits, from ringgits11.5m. in 1976 to ringgits14m. last year.

Deposits rose sharply, by 48 per cent. to nearly ringgits3bn., but total loans and advances rose only by 11 per cent. to ringgits1.13bn., reflecting on the high liquidity experienced by the bank during the year.

The bank's subsidiary, Kewangan Bumiputra Berhad, which deals in unit trusts, recorded a 25 per cent. increase in pre-tax profit, from ringgits1.6m. to ringgits2m.

Profit of another subsidiary, Bumiputra Merchant Bankers Berhad, declined marginally, although it expects profits to improve this year following the expiry of the management agreement with Rothschilds, of London.

On its international operations, the bank said it opened up a branch as well as a finance company in Hong Kong last December, in addition to its branches in London and Tokyo. The bank plans to open a branch in the Middle East this year.

Swire takes stake in Australian brickmaker

HONG KONG's Swire group has purchased an interest of just under 10 per cent. in one of Australia's largest brickmakers, Brick and Pipe Industries, writes James Forth from Sydney. The Board of Brick and Pipe describes the purchase as a "pleasing extension" of an association that presently exists in a cartage venture.

Brick and Pipe is an equal shareholder with Trans West Haulage (Holdings) in a company known as Trans Brick Pty. Swire has an 80 per cent. stake in Trans West. Mr. W. L. Ross, managing director of Trans West and a director of Swire, has been appointed to the Brick and Pipe Board.

Japan's fast-food groups still expanding

BY YOKO SHIBATA

TOKYO, April 3.

JAPAN'S FAST-FOOD industry is the one sector of Japan's domestic economy which is still managing to grow by nearly 20 per cent. a year. According to a recent survey of the top 100 fast-food companies in Japan, sales of these companies rose 18.2 per cent. in 1976, and then by 17.2 per cent. in 1977, when their combined turnover rose to Y894bn. ($4bn.). The survey, by the Nihon Keizai Shimbun, assesses the fast-food market is now the most rapidly growing sector of the overall restaurant business, which had total sales of about Y11,000bn. last year.

Foreign companies have found opportunities in the fast-food market in Japan to take an increasing share of the industry's sales. For instance, McDonalds hamburger franchises in Japan now are the third largest restaurant chain in the country (up from seventh in 1976) with sales of Y22.5bn. in 1977, when they grew by 48.9 per cent. on the previous year. Kentucky Fried Chicken ranks 20th in the fast-food businesses (which in Japan include noodle shops, fried eel shops, and so on).

The American Fried Chicken chain had sales last year of *Y12.5bn., up 30.2 per cent.* Baskin-Robbins, Pizza Hut, Shakeys and other American fast-food companies are boosting sales and outlets, and even the South Korean-owned Lotte Industrial group has pushed strongly into the market with its chain of "Lotteria" ice cream-and-hamburger shops, which boosted their sales by 53 per cent. last year to over Y10bn.

The top 50 companies on the list published by Nihon Keizai together had sales of Y642.4bn. in 1977, an 18.3 per cent. increase. Some did far better, notably the Kozo Sushi chain of raw fish shops which increased sales last year by 62.7 per cent. to Y24.5bn. By type of food, the market made by the top 100 companies breaks down to show about 42.4 per cent. serving strictly Western-style food (Hamburgers and so on), and 31.8 per cent. Japanese food, while 20 *per cent. are coffee and snack* bars.

As a result of continued success at the fast-food chains, many Japanese companies from outside the food business have been tempted into the field. Kawasaki Steel farms eels and has set up a chain of "Kabayaki" restaurants, Sony has moved into coffee shops, and trading companies like Mitsubishi and Mitsui have gone into multiple joint ventures with overseas partners (including the U.K.'s Berni Inns until it was bought out by the Japanese partner).

DOMESTIC BONDS

New German government funding

By Jeffrey Brown

IT IS widely expected in Frankfurt that the German Government will tap the domestic bond market early next week. Speculation focuses currently on a figure of DM1.2bn. ($590m.) with dealers anticipating formal issue announcement after Thursday's meeting of the Bundesbank capital markets committee.

A new issue of this size and status presents the authorities with an important test. A government *funding* was initially scheduled for late March, and *the Bundesbank has clearly* played for a little time in the hope that the current unsettled conditions in long-term bond markets would blow over.

The welter of new paper seen in the market for DM denominated foreign bonds as a direct result of the weakness of the dollar has caused substantial indigestion. Sentiment there has to some extent washed over into a domestic arena already unsettled by the way call money rates are rising under the impact of the latest tax-paying season.

The most recent domestic new issue — *DM400m.* of ten-year money at 5¾ per cent. from the Lastenausgleichesbank — stands at one point discount on its par issue price. The prices of the most recent government loan, which came in two tranches of eight-year and 15-year money at 5½ per cent. and 6 per cent. respectively, have eased lower recently.

Over in Paris, meantime, where bond markets have been reacting with enthusiasm to the election results, interest rates again eased yesterday. But *dealers are now beginning to* insist that the authorities are about to call a halt to a downtrend in interest rates that has now taken call money down from 10½ per cent. to 8½ per cent. in little more than two months.

The latest borrower to turn to the bond market for funds is the French national railways (SNCF) which expects to issue Frs.700m. in bonds this month.

According to sources in Amsterdam: Nederlandsche Middenstandsbank plans to issue Fls.100m. of ten year debentures. To be priced to-morrow, the bonds will carry a coupon of 7¾ per cent. Subscriptions open on Friday.

MEDIUM TERM CREDITS

United Arab Shipping loan

BY MARY CAMPBELL

A MANDATE to arrange the United Arab Shipping Company's $100m. eight-year loan has now been awarded to a group of three banks. Formally described as "co-ordinating" banks, they are: Gulf International Bank (which will run the books); Kuwait International Investment Company (in charge of producing the information memorandum); and the Paris-based consortium bank UBAF (the agent bank).

Interest will be payable at a margin over inter-bank rates of ⅝ per cent. for the first five years and ¾ per cent. for the last three. It is understood that these margins have been narrowed during the course of the negotiations in a competitive bidding situation with the result that some banks dropped out of the syndicate on the grounds that margins went too low.

The proceeds of the loan will be used to finance ships currently under construction to expand the company's fleet.

Details of the Bahrain National Oil Company's proposed syndicated loan have now also been confirmed. In addition to the $60m. loan, a loan of 6m. Bahrain dinars (about $15m.) will also be provided—believed to be the first ever syndicated loan in Bahraini *dinars.*

As expected, the mandate to arrange the loans has gone to Gulf International Bank, and the spread on the dollar loan will be ⅝ per cent. for the first three years and ¾ per cent. for the last four. The Bahraini dinar loan will carry a fixed rate of 8¼ per cent. Both loans will be syndicated only among banks in Bahrain.

The loans, which are State guaranteed, will be used to finance a gas refining plant (the gas concerned is "associated"—that which is often flared off in the process of producing oil).

Iran has arranged $67m. worth of eight year finance by means of an agreement whereby a syndicate of banks headed by Iran Overseas Investment Bank will buy promissory notes as they are issued over the next two years. The issue of the notes will be made to the Italian company Sadelmi Cogepi to pay for electrical equipment and the *banks will then buy them. They* will mature over a period of time ending in 1985.

The notes will carry a floating rate of interest at a margin of 1½ per cent. over inter bank rates.

It has also become known that the Qatar riyal 120m. (about $30m.) 10-year loan for the Qatar Fertiliser Company, reported last week, will be *provided* solely by the Qatar National Bank. Half of it takes the form of a firm loan, while the other half may or may not be drawn. It will be provided on a floating rate basis.

Atlas Copco steady

BY JOHN WALKER

STOCKHOLM, April 3.

ATLAS COPCO, the Swedish compressed air equipment manufacturer, says in its final report for 1977 that the depressed state of world trade has had its effect on some of the group's products, particularly for the mining industry.

In spite of these unfavourable trends, group sales rose by 10 per cent. during the year. This means that the total sales volume is largely unchanged, due to price increases and exchange fluctuations. Production costs are very high in Sweden, Belgium and West Germany, three of the concern's main manufacturing centres.

The 10 per cent. increase in group sales means a rise from Kr.3.7bn. in 1976 to Kr.4.1bn. (some $260m.) in 1977. The order intake rose by 15 per cent. to Kr.4.2bn. Group pre-tax profit amounted to Kr.297m. (around $18.6m.) down 12 per cent. on the previous year.

The profit margin dropped from 8.9 per cent. in 1976 to 7.1 per cent. in 1977. The return on capital fell to 11.4 per cent. last year from 12.8 per cent. in 1976, while adjusted net earnings showed a fall from Kr.14.48 per share in 1976 to Kr.11.35 per share in 1977. The Board recommends an unchanged dividend of Kr.6 per share.

Dyno proposes capital increase

BY FAY GJESTER

OSLO, April 3.

THE BOARD of Dyno Industries, the Norwegian manufacturer of *chemicals and explosives*, has recommended a dividend of Kr.13 per share for 1977, compared with Kr.12 a year earlier. Net profit last year was Kr 29m. compared with Kr.24m. in 1976.

The Board proposes to increase share capital by Kr.43.6m. to Kr.152.6m. through a two for five issue at par. It also wants authorisation to make a further increase later on to Kr.170m.

Mr. Anton Merckoll, managing director, says an increase in share capital is needed because Dyno has recently acquired a number of companies, and further acquisitions are envisaged.

Belgian stores lift dividends

By David Buchan

BRUSSELS, April 3.

BELGIUM'S TWO largest store chains, GB-Inno-BM and Delhaize, have both, as expected, raised their dividends for last year on the basis of substantial increases in turnover and gross profit. The larger of the two, GB-Inno, has increased its dividend to B.Frs.150 as against B.Frs.130 for 1976, while Delhaize has raised its net dividend to B.Frs.200 (146).

GB notes that its turnover has risen 14 per cent. to B.Frs.76.9bn. ($2.44bn.) well above the general 8 per cent. in retail sales in Belgium last year. Delhaize's sales did even better, rising by 18 per cent. in 1977.

But the net profit picture looks quite different for the two companies. GB recorded a B.Frs.665m. net profit (609m.), while that for Delhaize went down to B.Frs.164m. (218m.). This is because Delhaize has decided to take substantial advantage of the November, 1977 law giving companies setting aside cash for new investment greater tax breaks; while GB has not.

Quite where Delhaize intends to put its new investments is not exactly clear. Certainly it has become much harder for the big retail chains to get Government permission to open up new supermarkets and hypermarkets. Delhaize only opened one new supermarket last year in Belgium.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Dow 6 weaker in moderate activity

BY OUR WALL STREET CORRESPONDENT

NEW YORK, April 3.

THE RECENT declining trend on Wall Street became sharper and more widely-based to-day in further moderate trading.

The Dow Jones Industrial Average ended 6.32 weaker at 751.04 and the NYSE All Common Index lost 41 cents more to $49.44, while falls outpaced gains by 1,084 to 375. Turnover came to 20.23m. shares, virtually matching last Friday's total of 20.13m.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Gillette	312,000	26½	−1¼
American Motors	291,200	4¾	−¼
Sears Roebuck	255,600	22¼	−¼
U.S. Steel	257,200	25¼	−⅜
K Mart	198,900	25⅜	−¼
General Motors	172,000	60¼	−1
Ralston Purina	162,500	13⅞	−¼
Bally	152,600	22⅛	+1¼
Exxon	140,500	44⅞	−¼
Gen. Public Util.	135,600	19¼	−¼

Analysts blamed the market malaise on a number of negative forces — inflation, a possible tightening of Federal Reserve monetary policy, the huge February trade deficit reported on Friday, dollar weakness and government projections that the first quarter Gross National Product, after adjustment for inflation, will show little or no growth.

Speculation spread on Wall Stret that the Federal Reserve would soon tighten money policy in its drive against inflation and also to support the dollar.

However, to-day the Fed indicated its target rate on funds remained the same and short-term interest rates declined.

Buttes Gas and Oil, after being delayed at the opening, surrendered 2¾ to $12, while Getty Oil lost $1 to $158 — Buttes reported a fourth-quarter loss compared with a year-ago profit and said the ruler of Sharjah in the Persian Gulf has raised taxes and royalties on production from the Mubarek field off Abu Msua Island, in which both companies have interests.

Corning Glass, on lower first-quarter earnings, receded 1¼ to $45½, but Nevada Power, on raising its quarterly dividend to 50 cents from 44 cents a share, rose 1¾ to $23½.

THE AMERICAN SE Market Value Index retreated 0.51 to 128.43 on volume of 3.36m. shares (3.25m.).

OTHER MARKETS

Canada reacts

Canadian Stock Markets turned downwards yesterday in fairly busy trading following recent strength, the Toronto Composite reacting 4.1 to 1,059.2. Golds came back 19.2 to 1,296.5, Metals and Minerals 13.9 to 876.0. Oils and Gas 8.6 to 1,395.6, and Banks 0.37 to 250.28, but Papers contrasted with a rise of 0.41 to 105.44.

PARIS—Market moved easier as profit-taking continued, with the firm franc and easier day-to-day money having little effect.

Stores and Foods were mixed, while Denain and Creusot-Loire were firm spots in Steels, but other sectors were lower throughout. Materiel Telephonique were unquoted after heavy selling orders could not be balanced with buyers.

BRUSSELS—Local issues were inclined to gain further ground in quiet trading.

GB-Inno-BM, on declaring an increased net dividend for the year to January 31, rose 45 to B.Frs.1,960. Delhaize, which also announced a higher net dividend, added B.Frs.5, while Union Miniere, despite proposing a lower net dividend, moved ahead 22 to B.Frs.716.

AMSTERDAM — An easier tendency prevailed, with Heineken losing Fls.3.0, Algemeine Bank Fls.2.0, and Unilever, Royal Dutch, HVA and OCE Grinten at least Fls.1.0 apiece.

Ahold, however, gained Fls.1.0 following publication of its 1977 trading report. Akzo, Hoogovens and ned-Lloyd shook off initial losses to close slightly higher on balance.

State Loans were firm.

GERMANY—Stock prices mainly hardened, partly on the agreement reached to end the German metal workers dispute.

Linde rose 2 to DM237 on news of the company's improved order position in the first two months of this year, but Kloeckner-Werke shed 50 pfennigs to DM93.50 after announcement of company figures for the first five months of its accounting year.

Motors showed some gains, but BMW and Volkswagen were slightly easier.

The Bond market was quiet with public sector issues closing mixed. Gains extending to 20 pfennigs and losses to 15 pfennigs were recorded. The Regulating Authorities sold DM5.7m. nominal of paper against sales of DM3m. last Friday. Mark Foreign Loans were little changed.

SWITZERLAND—Stocks were looking a shade softer in a limited turnover following the renewed decline of the dollar in the wake of the record U.S. trade deficit.

Banks, however, were mostly steady, while Helvetia rose in Insurances.

Domestic and Foreign Bonds held steady in light trading.

MILAN—Bourse prices were lower in quieter trading with almost a total lack of buyer interest.

Pirelli Spa led Industrials down to close 19 weaker at L996, but Italsider and Olivetti Ordinary hardened against the trend. Mediobanca rallied slightly after the past week's losses.

TOKYO—After recent pronounced strength, share prices retreated in moderate trading, unsettled by the week-end announcement of tighter margin trading curbs and the yen's fresh rise in Tokyo. The Nikkei-Dow Jones Average came back 41.77 to 5,430.33, with volume amounting to 290m. shares. This is the first setback after rises in the previous seven consecutive trading days.

Matsushita Electric, Honda Motor, TDK Electronic, Pioneer Electronic, Toyota Motor and other export-orientated issues were prominently lower.

JOHANNESBURG—Gold shares generally improved, although some issues turned easier after mid-session. Trading was quiet with Overseas interest very light. ERGO rose 15 cents to R5.65.

HONG KONG—Market rose afresh, but ended below the day's best on profit-taking which set in following disappointment with Hong Kong Wharf's results. Volume remained relatively high.

Hong Kong Wharf lost 40 cents to $HK16.90, but Hong Kong Bank and Hong Kong Land both closed 10 cents higher at $HK15.70 and $HK7.40 respectively. Jardine Matheson finished 20 cents down at $HK13.50.

AUSTRALIA — Markets made further headway, with BHP rising 22 cents to $A6.02.

Lend Lease gained 5 cents at $A2.45, while Bundaberg, in Sugars, added 10 cents at $A3.20. Among Banks, BNS Wales advanced 8 cents to $A5.20 and ANZ 5 cents to $A2.75.

In Uraniums, Pancontinental rose 60 cents to $A10.70, Queensland Mines 8 cents to $A1.88, and Kathleen Investments 10 cents to $A1.40. Elsewhere in Minings, Utah moved ahead 8 cents to $A3.28, Renison 10 cents to $A5.90, and Hamersley 11 cents to $A1.96, but Thiess receded 6 cents to $A1.86.

Indices

NEW YORK – DOW JONES

	Apr. 3	Mar. 31	Mar. 30	Mar. 29	Mar. 28	Mar. 27	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	751.04	757.36	759.62	761.78	758.84	756.21	817.74 (3/1)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'n ds*	89.46	89.54	89.72	89.88	89.83	89.77	90.86 (4/1)	89.36 (26/1)	—	—
Transport	206.40	207.16	207.20	207.75	207.88	206.81	216.77 (3/1)	199.61 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.74	105.68	105.72	106.06	105.86	105.72	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	20,230	20,130	20,460	25,460	21,900	18,670	—	—	—	—

* Basis of index changed from August 24

Ind. div. yield %	Mar. 31	Mar. 24	Mar. 17	Year ago (approx.)
	6.16	6.16	6.06	4.57

STANDARD AND POORS

	Apr. 3	Mar. 31	Mar. 30	Mar. 29	Mar. 28	Mar. 27	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	97.20	98.02	98.24	98.48	98.35	97.83	105.22 (3/1)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	88.46	89.21	89.41	89.64	89.50	89.67	93.82 (3/1)	86.90 (6/3)	125.86 (11/1/73)	4.40 (1/6/32)

	Mar. 29	Mar. 22	March 16	Year ago (approx.)
Ind. div. yield %	5.46	5.46	5.47	4.47
Ind. P/E Ratio	8.48	8.48	8.43	10.27
Long Govt. Bond yield	8.25	8.15	8.16	7.74

N.Y.S.E. ALL COMMON

Apr. 3	Mar. 31	Mar. 30	Mar. 29	1978 High	1978 Low
49.44	49.85	49.95	50.07	51.82 (3/1)	48.37 (6/3)

Rises and Falls

	Apr. 3	Mar. 31	Mar. 30
Issues traded	1,887	1,822	1,848
Rises	375	582	593
Falls	1,084	748	754
Unchanged	428	492	501
New Highs	—	—	—
New Lows	—	—	—

		Apr. 3	Mar. 31	Mar. 30	Mar. 29	1978 High	1978 Low
MONTREAL	Industrials	175.91	174.16	175.59	172.91	174.96 (3/1)	162.90 (16/2)
	Combined	180.94	181.26	180.57	180.24	181.26 (31/3)	170.62 (30/1)
TORONTO	Composite	1059.2	1063.3	1058.3	1056.4	1065.6 (31/3)	998.2 (30/1)
JOHANNESBURG	Gold	203.4	203.8	100.5	205.1	218.7 (1/2)	195.0 (21/3)
	Industrials	203.9	204.8	202.7	198.6	214.4 (4/1)	194.9 (13/3)

	April 3	Previous	1978 High	1978 Low
Australia (*)	448.61	454.90	479.45 (3/1)	441.19 (1/3)
Belgium (‖)	94.39	94.60	94.89 (3/4)	90.45 (12/1)
Denmark (**)	95.97	95.74	98.13 (9/1)	94.00 (6/2)
France (††)	61.2	61.8	61.8 (20/3)	47.8 (3/2)
Germany (‡‡)	796.4	793.8	812.7 (10/2)	788.2 (4/1)
Holland (§§)	76.4	77.0	82.1 (10/2)	76.4 (3/4)
Hong Kong (¶¶)	441.54	449.44	451.64 (3/4)	383.44 (13/1)
Italy (‖‖)	60.57	60.76	63.56 (8/3)	55.40 (10/1)
Japan (a)	406.21	408.07	408.07 (1/4)	384.04 (4/1)
Singapore (b)	291.26	291.26	291.25 (3/4)	282.00 (9/1)
Spain (d)	—	92.93	98.90 (10/1)	87.82 (17/3)
Sweden (e)	364.24	363.05	364.24 (3/4)	325.74 (3/1)
Switzerl'd (f)	293.9	295.1	325.7 (14/2)	280.4 (10/3)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73 (††) Paris Bourse 1961 (‡‡) Commerzbank Dec. 1953. (§§) Amsterdam. Industrial 1970 (¶¶) Hang Seng Bank 31/7/64 (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68 (b) Straits Times 1966 (c) Close (d) Madrid SE 30/12/77—high (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—100% (102½%)
Effective rate (at 1.8680) 43¾% (45½%)

NEW YORK

Stock	April 3	Mar. 31
Abbott Labs	54⅜	55¼
Addressograph	17	17¼
Aetna Life & Cas.	34⅝	34⅞
Corning Glass	45½	46¾
CPC Int'n'tional	46	45½
Crane	28⅛	28½
Crocker Nat.	25⅝	25⅝
Crown Zellerbach	31⅞	31¾
Johns Manville	29	29¼
Johnson Johnson	67¼	68
Johnson Control	27	26⅞
Joy Manufactur'g	32⅝	32⅞
K Mart Corp.	25⅛	25⅞
Revlon	38⅛	39¼
Reynolds Metals	27⅞	27⅞
Reynolds R. J.	56⅛	56⅝
Rich'son Merrel	24¼	25
Rockwell Inter.	31⅞	31¾
Woolworth	18⅜	18⅝
Wyly	3¼	3⅝
Xerox	41¼	41¾
Zapata	16½	17
Zenith Radio	14⅝	14½

CANADA

GERMANY ◆

April 3	Price Dm.	+ or −	Div. %	Yld. %
AEG	89.0	−0.2	—	—
Allianz Versich.	464	+4	18	1.9
BMW	225.1	−0.4	20	4.4
BASF	138.1	+0.1	17	6.2
Bayer	140.7	+0.3	16	
Bayer Hypo	264.5	+1.5	20	3.6
Bayer Vereinsbk	315		20	3.2
Comrbnk.Ned.wrts	180	−3	—	—

AMSTERDAM

COPENHAGEN ♣

VIENNA

TOKYO ¶

April 3	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	340	−3	14	2.1
Canon	473	−7	12	1.3
Casio	550	−15	25	2.3
Chinon	355		20	2.8
Dai Nippon Print	537	−6	18	1.7

Source Nikko Securities, Tokyo

BRUSSELS/LUXEMBOURG

PARIS

SWITZERLAND Φ

MILAN

AUSTRALIA

Apr. 3	Aust. $	+ or −
ACMIL (25 cent)	†0.65	
Acrow Australia	†0.85	
Allied Mnf.-Ptrlg. Inds. $1	†2.23	+0.05
Ampol Exploration	†1.53	+0.01

STOCKHOLM

BRAZIL

Vol. Cr.33.4m. Shares 38.3m.
Source: Rio de Janeiro SE.

OSLO

JOHANNESBURG

MINES

INDUSTRIALS

Securities Rand $US0.79) (Discount of 31.1%)

SPAIN ♥

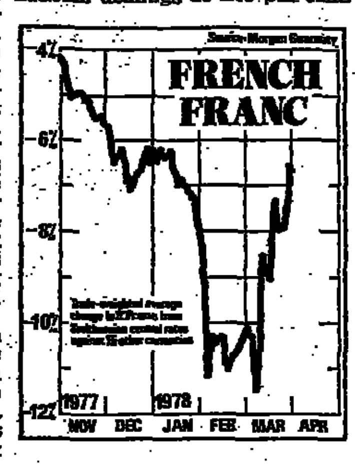
$ steadier

Continued adverse reaction to the record U.S. February trade deficit prompted further heavy selling of the dollar in yesterday's foreign exchange market. Early dealings saw the Swiss franc improve to Sw.Frs.1.8160 from Sw.Frs.1.83 on Friday and the West German mark to DM1.9880 against DM2.0065. However, intervention by the Bundesbank appeared to check the slide together with some profit-taking, so that mid-day found the dollar above its worst levels. This reversal continued during the afternoon and with demand for the dollar reviving after the opening of New York markets, it finished around the same as its closing levels on Friday, showing a slight gain at DM2.0080 and Sw.Frs.1.8505.

Morgan Guaranty's calculation of its trade-weighted average depreciation, using noon rates in New York, widened slightly to 6.50 per cent. from 6.49 per cent.

Sterling showed small gains during the morning, opening at $1.8630-1.8650. By noon the pound's index, using Bank of England figures, had shown an improvement to 61.9 from Friday's close of 61.8. Official help was seen in the market, but with demand for the dollar increasing during the afternoon, sterling finished below its best at $1.8675-1.8685, still a gain of half a cent over the previous close. Its trade weighted index also eased to finish unchanged at 61.8, while the dollar's index using similar Bank of England figures slipped to 88.2 from 88.5.

Elsewhere the Japanese yen improved to a record level of Y218.6 compared with Y221.25 previously, while the French franc closed narrowly firmer at Frs.4.5625 against Frs.4.5650. Gold The Krugerrand's premium over its gold content finished unchanged in domestic and international dealings at 1.03 per cent.



CURRENCY RATES

	Special Drawing Rights April 3	European Unit of Account April 3
Sterling	0.664057	0.677685
U.S. dollar	1.24451	1.27149
Canadian	1.41538	1.44252
Austria sch	17.9303	18.3069
Belgian fran	38.8380	39.6802
Danish krone	—	6.99634
Deutschem'rk	2.48952	2.54213
Dutch guilder	2.66387	2.72074
French fran	5.64634	5.76409
Italian lira	1056.90	1079.74
Japanese yen	272.546	277.678
Norway krone	6.54301	6.68579
Spain peseta	99.1290	101.199
Swedish krone	—	5.78259
Swiss franc	2.27870	2.32878

EXCHANGE CROSS-RATES

April 3	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.0045-60	43.93-44.15	6.465-515	3.747-767	95.42-52	108.9-9.15
New York	49.83-96	—	21.90-96	3.1900-50	1.8640-50	46.58-63	3.83-54.00
Paris	226.47-97	4.531-543	—	14.529-563	8.4925-5125	211.6-2.15	247.66-8.16
Brussels	15.29-65	31.18-23	6.87-90	—	58.45-62	14.66-61	17.02-09
London	3.74¾-75¾	1.8675-85	8.51½-52½	58.50-60	—	4.01-02	3.45½-46½
Amst'dam	106.97-7.02	2.1392-1417	47.206-256	1.820-875	4.0105-0165	—	16.825-876
Zurich	91.85-92.02	1.8425-45	40.395-427	5.8922-9024	3.4440-4496	5.94-86.09	—

U.S. $ in Toronto U.S. $=113.68-70 Canadian cents
Canadian $ in New York=87.94-96 cents. U.S. $ in Milan 849.30-60.
Sterling in Milan 1,587.90-1,588.20.

EURO-CURRENCY INTEREST RATES*

April 3	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
†Short term	—	7-7¼	7-7¼	4⅞-5⅛	⅛-⅜	3¼-3⅜
7 days notice	—	7-7¼	7-7¼	4⅞-5⅛	⅛-⅜	3¼-3⅜
Month	6⅝-7	7⅝-7⅞	7⅛-7⅝	4⅞-5⅛	7/16-11/16	3¼-3⅝
Three months	7⅛-7 11/16	7⅜-7⅝	7⅜-7⅝	4¾-5	11/16-15/16	3¼-3⅜
Six months	7¾-8⅛	7¾-8	7⅝-7⅞	4⅝-4⅞	15/16-1¼	3¼-3⅜
One year	8 5/16-8 11/16	7⅞-8⅛	7⅞-8⅛	5-5¼	1 1/16-1 7/16	3¼-3⅝

Euro-French deposit rates: two-day 8¼-8¾ per cent.; seven-day 8½-8¾ per cent.; one-month 8¾-9¼ per cent.; three-month 8¾-9¼ per cent.; six-month 9¼-9¾ per cent.; one-year 9¾-10¼ per cent.

Long-term Eurodollar deposits: two years 8-8¼ per cent.; three years 8⅛-8⅜ per cent.; four years 8¼-8½ per cent.; five years 8⅜-8⅝ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.10-7.20 per cent.; three-month 7.25-7.35 per cent.; six-month 7.55-7.65 per cent.; one-year 7.80-7.90 per cent.

*Rates are nominal calling rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two days' notice for guilders and Swiss francs.

GOLD MARKET

	April 3	Mar. 31
Gold Bullion (a fine ounce) Close	$182-183¾	$183¼-18[illegible]
Opening	$182¾-183½	$180-180¾
Morning fix'g	$182.75 (£97.415)	$180.75 (£97.562)
Aftern'n fix'g	$183.40 (£97.839)	$181.60 (£97.895)
Gold Coins domestically Krugerrand	$186¾-188¾ (£100-101)	$188¼-19[illegible] (£101¼-10[illegible])
N'w Sov'gns	$56-57 (£29½-30½)	$55¾-57¾ (£30-31)
Old Sov'gns	$55¾-57¾ (£30-31)	$58¾-60¾ (£31½-32)
Gold Coins Internat'lly Krugerrand	$187½-189½ (£100¼-101¼)	$188¼-19[illegible] (£101¼-10[illegible])
N'w Sov'gns	$55¾-57¾ (£30-31)	$55¾-57¾ (£30-31)
Old Sov'gns	$55¾-57¾ (£30-31)	$58¾-60¾ (£31½-32)
$20 Eagles	$295-297	$294¾-29[illegible]

FOREIGN EXCHANGES

April 3	Bank Rate %	Market Rates Day's Spread	Close
New York	6½	1.8638-1.8760	1.8675-1.[illegible]
Montreal	6	2.1125-2.1325	2.1255-2.[illegible]
Amsterdam	4½	3.98-4.02	4.01-4.[illegible]
Brussels†	5½	57.70-58.85	58.50-5[illegible]
Copenhagen	8	10.25½-10.35½	10.32½-1[illegible]
Frankfurt	3	3.70-3.76	3.74¾-3.[illegible]
Lisbon	13	75.60-76.30	76.20-7[illegible]
Madrid	8	148.25-149.20	149.00-1[illegible]
Milan	11½	1,579-1,594	1,585½-1[illegible]
Oslo	8	9.79-9.92	9.89-9.[illegible]
Paris	9½	8.41-8.53	8.51½-8.[illegible]
Stockholm	8	8.44-8.54	8.50-8.[illegible]
Tokyo	3½	405-415	408-4[illegible]
Vienna	5½	26.90-27.10	26.95-2[illegible]
Zurich	1	3.39-3.46½	3.45½-3.[illegible]

†Rates given are for convertible francs. Financial franc 59.43-59.63.

OTHER MARKETS

		Notes	Rate
Argentina	1540-1544	Argentina	1560
Australia	1.6251-1.6418	Austria	29.1
Brazil	31.15-32.15	Belgium	58
Finland	7.76-7.78	Brazil	35
Greece	67.457-69.107	Canada	2.1
Hong Kong	8.6175-8.6450	Denmark	10.1
Iran	128-134	France	8.5
Kuwait	0.508-0.516	Germany	3.7
Luxemb'rg	58.50-58.60	Greece	68
Malaysia	4.356-4.4025	Italy	1585
N. Zealand	1.8180-1.8562	Japan	41[illegible]
Saudi Arab.	6.38-6.48	Netherl'nds	4.0
Singapore	4.3019-4.3150	Norway	9.8
S. Africa	1.6255-1.63892	Portugal	7[illegible]

Rate given for Argentina is a free rate.

FORWARD RATES

	One month	Three months
New York	0.05-0.15c dis	0.15-0.25c dis
Montreal	0.05-0.15 c. dis	0.15-0.25c dis

Six-month forward dollar 0.35-0.45c dis; 12-month 0.55-0.65c pm.

FINANCIAL TIMES SURVEY

Tuesday April 4 1978

European Options Exchange

Like many other developments in the U.S., the vogue for options trading has reached Europe. The opening to-day of the European Options Exchange in Amsterdam—to be followed shortly by a similar, though smaller, venture in London—is discussed here.

Added touch of spice

By Margaret Reid

THE QUICK route to a *fortune* —or the fastest way to lose money outside a racecourse? A safe method of boosting income —or a risky system for betting on a stock market fall?

These are the questions investors and fund managers this side of the Atlantic will be asking as the relatively new vogue for trading in share options moves to Europe with to-day's *opening in Amsterdam* of the £3m. European Options Exchange (EOE). Within three weeks London will follow suit with the launching of a more modest traded options venture, costing only £200,000, to be run within the Stock Exchange.

The concept of buying options to purchase shares in future has always tended to be surrounded with controversy, its critics protesting—from long before the new development of trading in options themselves—that the activity is speculative and risky. But its proponents argue that such purchases, when carried out through an organised market, can give legitimate spice to an investor's strategy. It is also claimed that givers (writers) of options can, for their part, add to their income by agreeing, for a fee (premium) to sell shares in future at a pre-fixed price and will only run big risks if they do not hold the underlying shares.

Both the new Dutch and British ventures—they were originally planned as two arms of a joint Amsterdam-London traded options exchange but were later separated—follow the *striking* success of the Chicago Board Options Exchange, which started dealings almost five years ago, on April 26, 1973.

In its first four years the CBOE saw an explosive growth in business from 6,300 options contracts daily in 1973 to 157,000 in 1977, while options markets sprouted in four other U.S. stock markets and in Toronto, Montreal, Sydney and Singapore.

Last autumn, however, the Securities and Exchange Commission (SEC), the U.S. Government authority which polices securities markets, stepped in to halt any further development in options trading —including a planned start on the big New York Stock Exchange. Following reports of some malpractice, the assessment of whose seriousness varied, the SEC is carrying out a major reappraisal—which may or may not be agonising— of share options trading in practice before it develops its supervisory policies further. Meanwhile, a more subdued atmosphere prevails on the Chicago options exchange where business has dropped back and the price of seats, which reached a peak of $94,500 two years ago, has recently fallen by about a half to $48,000.

Taste

Nevertheless, despite the dampener applied by the SEC, trading in share options in Chicago and the other centres has caught on strongly enough for a taste to experiment with this new dimension of investment to have grown up in Europe. Stockbrokers, sometimes mauled in the past few years' recession, look to it as a possibly promising source of commission income to supplement traditional business. A good deal of effort is consequently going into persuading investing institutions that the technique has something to offer them.

The launch of the Dutch EOE, which will trade initially in options on three Dutch, three British and three U.S. leading shares, is also a sign of the growing internationalisation of stock market dealings of which London is well aware and which it knows it cannot ignore.

There is no doubt that share options trading under the standardised conditions of an organised market introduces a genuinely novel element into the whole idea of option operations.

Giving and taking of options to buy shares in future at predetermined prices is not new. For the past 20 years—and indeed in earlier days before 1931 —investors have been able to purchase options to buy shares over a future period at predetermined prices.

But a traded options market introduces an element of flexibility not present under the very limited traditional options operations in, for instance, London, where the holder has simply waited to see if the price of the underlying shares rises enough to make it worth exercising the option. If it does, he exercises; if not, the option expires and the money is fully lost. With a traded share options market the options themselves can be bought and sold, so that the purchaser of a call option (carrying the right to buy shares in future) can adjust his view of market prospects as time goes on, cutting a loss by selling his option if he feels he has been too optimistic, or taking a profit if there is one. Conversely, another party, perhaps an investing institution, which gives (writes) an option, so agreeing to sell shares over a future time at a pre-fixed price, can buy back an offsetting option, so cancelling its liability, if its strategy or view of the trend of share markets alters.

Perhaps more important, option dealing only becomes feasible enough to be a practical proposition for most investors under the conditions of an organised trading market. In addition, trading in such a market tends to be, if not cheap, then cheaper in commission terms than activity in traditional, non-traded, options, where commission is related to the value of the underlying shares rather than, as will be the case in Amsterdam and London, to the option money (the premium) itself.

A great deal of exercising of slide rules and tapping of calculators has been under way in stockbrokers' back rooms as the market pundits in various centres explore different options strategies ahead of the opening of the new markets. Buying of call options is often claimed to add excitement without excessive risk if, say, 10 per cent. of a portfolio's resources is used for the purpose. But, of course, the chances of much of such a stake being lost are considerable, though the reward of a successful purchase could be substantial.

Investing institutions already holding large portfolios of shares are frequently cast for the role of writing options, the other side of the transaction. But strategies are infinitely varied. There are of course possibilities of loss not only to the buyer of call options but to the uncovered, or naked, writer who bets on a fall in the market by agreeing to sell stock he does not hold.

An extensive apparatus of rules, a good deal of it based, like the structure of the new Amsterdam venture itself, on the Chicago Board Options Exchange model, has been set up by the EOE to protect operators on the exchange. This includes requirements about speed of settlement, margin—the need for writers to put up funds as an assurance that they can meet their commitments—and the structure of the market itself, with the crucial guaranteeing function performed by the big clearing members.

The Dutch Government, whose Finance Minister, Dr. Frans Andriessen, is to open the options exchange at 3 o'clock this afternoon, has also appointed a supervisory commission.

Amsterdam, with its own, and Holland's, long traditions of worldwide commerce and business as a background, is hoping for a broad international clientèle—as well as membership—for the new market. Not only well-off Dutch individuals and institutions but also clients elsewhere in Europe, including Britain, and investment handling centres like Zurich, will, it is hoped, see possibilities of extending their investment strategies through use of the EOE.

There is no disposition on the part of the EOE to hide the fact that options trading is an activity where losses can readily be made and that those participating in it should realise the hazards attached to the riskier strategies. All this is stressed in an explanatory memorandum, underlining all the risk aspects, which the EOE managers are asking all members of the new exchange to bring carefully to the notice of their clients. One point which should perhaps be stressed is that those who trade there need to watch an option market constantly for any change which may require a response; it is a market for investment's King Storks, not King Logs.

Options trading has its opponents who argue that it is undesirable froth, dealing not in goods or even in securities but in new rights created out of thin air, as it were, by the participants from the underlying share market.

The Dutch Government, like the British, has not taken this critical view and is ready to see the venture launched as a new elaboration of investment facilities available in Holland, though it will doubtless keep a close eye on its development. The EOE policy of picking major international shares as those in which options will be traded is a further protection against the rigging of the underlying market by options operators—but experience alone will demonstrate whether the exchange can be free of undesirable features.

It is interesting to consider the stock market context for the launch of EOE. Generally speaking, rising markets offer more fun for option buyers, while stagnant or falling markets are more favourable for the option writers taking the opposite stance. The Chicago Board Options Exchange's début was followed by stormy conditions far from favourable to buyers, who, however, came more into their own in the brighter conditions of the mid-1970s.

With Wall Street at present subdued, and London—like many other stock exchanges— well below its peak, option buffs will be scanning the market horizon for light to pick their moment for launching call option strategies in the hope of a market rise. On the other hand, continued drabness in the world economic scene may rather prove to favour option writers.

If the EOE proves a real success, it could generate substantial commission income. Dr. Anthony Henfrey and Mr. Christopher Whitehead of London stockbrokers W. I. Carr— whose Hong Kong subsidiary is a shareholder in First Options of Amsterdam, a large clearing member of the EOE—have estimated that commission revenue could approach $100m. a year after four years. This, they point out, would compare with $350m. income in 1976 from all sources of all members of Britain's Stock Exchange, Europe's largest.

Torpedoed

British reluctance to join the originally projected joint European Options Exchange with floors in Amsterdam and London torpedoed the dual scheme in 1977, largely because there was resistance to spending the £1m. that would have been involved in British participation and because there were regulatory problems about a venture not run by the Stock Exchange itself. London has lowered its sights in terms of size and is to conduct its limited £200,000 venture from one podium on the floor of the Stock Exchange and under the supervision of the Exchange's Council, at the start in options on ten leading British shares.

Some still hope that, if both the separate new ventures succeed, they may one day come together in the originally projected joint options exchange, but it is too early to judge if this is likely to happen.

con

EUROPEAN OPTIONS EXCHANGE II

Major growth plans

THE EUROPEAN Options Exchange begins trading to-day in the options of nine underlying stocks—three each from Britain, Holland and the U.S. and rather fewer than the ten to 15 forecast last year. But the number does not compare unfavourably with the 16 stocks *which formed the basis of the* Chicago Board of Options Exchange (CBOE) in 1973 taking into account the problems of setting up an international options exchange. The CBOE doubled the number of option types traded within eight months. The EOE hopes it will be trading about 60 options within the first year or so—the floor could accommodate 80 stocks.

While the Amsterdam Stock Exchange listed 256 stocks at the end of 1976—and the other European and U.S. exchanges would multiply this figure many times—only a limited number can be considered for option trading. There must be a free, active and continuous market in the underlying securities in the home market and there must be a wide spread of ownership. These requirements exclude all but a handful of shares on the Dutch and other exchanges. The aim is to provide a solid base for dealing in the options and to avoid option trading developments affecting the trading in the underlying stock.

It is estimated that at most a dozen Dutch stocks would qualify for option trading. In the first year or so between 20-25 U.S. stocks could be traded, as well as a similar number of U.K. stocks. West Germany might provide 10, France six to 10 and the other European stock exchanges two or three. The limited size of the market and narrowness of trading will exclude all but one or two stocks from the Belgian, Swiss or Italian exchanges.

Pencilled

In the longer term the EOE hopes to quote Australian, Hong Kong, Japanese and South African stocks. Japan might be the most fruitful source of new stocks—and the EOE has pencilled in 22 with potential for option trading. The other three exchanges could provide between 5 and 8 stocks each. Once the EOE has begun trading in the major European stocks it must look for further growth to the exchanges in the Far East and the U.S. The five U.S. option markets now trade around 200 stocks although much of the volume is concentrated in the top 25 options.

Despite this lack of depth to the European exchanges generally *there is normally* very active trading in the top stocks and many of these would be ideally suited to option trading. The six leading Dutch equities—Royal Dutch, Philips, Akzo, Robeco, Rolinco and Unilever—have accounted on average for about 45 per cent. of Amster*dam's turnover in the past few* years.

In fact turnover in Royal Dutch, Unilever and Philips outside Holland is even higher than on the Amsterdam Bourse itself. In view of this strong international interest these three have been selected as the first Dutch stocks options which will be quoted on the EOE. Other Dutch stocks which might later be added are the insurance group Nationale Nederlanden, KLM, Heineken, the two banks Algemene Bank Nederland and Amsterdam-Rotterdam Bank, and steel-maker Hoogovens.

The London Stock Exchange, still the largest in Europe in terms of turnover despite the effects of currency fluctuations in recent years, is likely to provide the biggest selection of potential option stocks in Europe. The EOE hopes to gain *agreement from the Bank of* England that U.K. residents can trade U.K. option classes without being required to pay the overseas investment premium.

But even if U.K. residents are effectively prevented from doing so the EOE reckons it can still be a viable operation. ICI, BP and GEC have been chosen as the first British stocks, but estimated turnover volumes indicate a total of 30 possibles. These include Barclays Bank, National Westminster Bank, Distillers, BATS, Bowater, Commercial Union, Marks and Spencer, Beechams, Courtaulds, GKN, EMI, Rank, A.P.-Cement, P and O and RTZ.

IBM, General Motors and Eastman Kodak will be the first U.S. stocks in which options will be traded on the EOE. In keeping with the American potential and the extent of option trading in the U.S., the EOE hopes option contracts written in Amsterdam will in due course be fungible with those issued by the Options Clearing Corporation *in* Chicago. Other potential stocks already handled on the U.S. options exchanges are ATT, Citicorp, Polaroid, Xerox, Dow Chemical, Occidental Petroleum and RCA.

The EOE has shortlisted the 20 most active stocks traded on the New York Stock Exchange (NYSE) which are also traded on the CBOE. These accounted for nearly 9 per cent. of NYSE turnover in 1976 and for more than 50 per cent. of CBOE turnover.

The EOE has held back on the listing of options on underlying German securities while it tries to solve the problem of the liability of German banks for option transactions they carry out on behalf of private clients. When this has been resolved potential German stocks are the three chemical giants BASF, Bayer and Hoechst, the big three banks—Commerzbank, Deutsche Bank and Dresdner Bank — and Siemens. Further possibles are AEG, Mannesmann, Thyssen, BMW, Daimler and Volkswagen.

French stocks have been given a higher priority now that progress in Germany has slowed. The most likely candidates for the EOE include Aquitaine, Michelin, Carrefour, Club Mediterranee, BSN, Maisons Phenix, Pechiney, St. Gobain and L'Oreal.

The new Amsterdam exchange expects to break even on a daily volume of about 7,000 contracts. It hopes to reach this level after about one year's trading. A study of likely trading developments shows an average of around 5,100 contracts a day in the first year of operation, rising to 8,700 in the second, 15,800 in the third and 22,600 in the fourth.

Business volumes will depend on a number of factors, including familiarity of the participants in the market with option trading, the number of underlying securities traded, the level of option premiums and general stock market conditions. Experience in the U.S. has shown that trading expands relative to equity trading when the market is rising and declines in a bear market.

The value of turnover on U.S. options markets as a proportion of turnover on the New York Exchange rose from 1.7 per cent. in 1974—the first full year of option trading, to 8.3 per cent. in 1976. A figure of around 8 per cent. of the underlying equity turnover seems a reasonable aim for the EOE.

A study carried out by W. I. Carr, Sons and Co. and the EOE has put the potential commission income of the options exchange at approaching $100m., compared with total income from all sources of all members of the London Stock Exchange in 1976 of $350m. The *figure for Amsterdam* excludes any additional commission from business generated in the underlying securities. Commissions could therefore be almost a third of those in London.

Who is expected to use the options exchange? The EOE's general manager, Mr. Tjerk Westerterp, provoked some controversy when he remarked that the exchange could also be used by the small investor. The EOE and several of the banks have prepared prospectuses to inform the public about how an options exchange works. But the risks attached to options dealing mean some of the banks will be cautious about encouraging the smaller account holder to try his hand. Much of the initial interest is expected to come from the institutions.

The Dutch banks are nevertheless confident that they have a fair number of customers, both in Holland and abroad, with the funds and the sophistication to deal in the market, and they are training their staff in option dealings. An attraction of the EOE for investors in Holland is that there is no capital gains tax and the increase in portfolio yields possible from option trading would be tax-free.

Swiss investors — and foreigners working through Switzerland—have also shown keen interest in the EOE, although the picture elsewhere in Europe is less clear. German banks are likely to be reserved towards the EOE until the position of their responsibility for the debts of private clients *investing in futures* markets is cleared up. The volume of British interest will depend very much on the Bank of England's decision on the application of foreign investment premium rules to the EOE. Controls by the French monetary authorities may hold back levels of business from that country.

It is expected that institutions will have a proportionately greater share of market volume on the EOE than on the CBOE because of the less well developed retail business in Europe. Turnover will be influenced to a large extent by market maker activity. Market makers accounted for 45 per cent. of turnover on U.S. options exchanges in 1976. Amsterdam has acquired 55 market makers.

The level of U.S. options turnover on the EOE in relation to U.S. equity turnover could be even higher than in the early years of U.S. option trading in view of investors' grea[ter] awareness of option poten[tial] and the pool of experienced [U.S.] market makers active [in] Amsterdam. European opti[ons] will also benefit from [this] awareness.

On the debit side the Lon[don] Stock Exchange's plan for [a] parallel option market [may] draw off some business. [The] familiarity of European ba[nks] in handling retail clients [who] might be interested in the E[OE] may also retard developme[nt]. The existence of the EOE [has] already persuaded banks [to] improve their approach [to] *these potential markets*, h[ow]ever.

Option turnover on the E[OE] in U.S. and U.K. options c[ould] be around 4 to 5 per cent [of] the underlying equity turn[over] in money terms in the fo[urth] year of trading. Turnover [in] Dutch options could be e[ven] higher—at 5 to 8 per cent. [In] view of the strong in[ter]national interest in a s[mall] number of Dutch stocks. T[urn]over of German and Fr[ench] options will grow more sl[owly] but could total around 2 [...] per cent. by the fourth yea[r].

Despite the problems it f[aces] in overcoming the restrict[ions] imposed by national regulat[ions] the EOE sees great pote[ntial] for an international marke[t]. [It] is starting with a clear A[nglo-]Dutch-U.S. bias, but it hop[es to] achieve a broader Euro[pean] base within the first year [and] a broader base worldwid[e in] the following three years.

Charles Batch[elor]

View

Questions of regulation

REGULATION OF dealings on the European Options Exchange was given high priority from an early stage in preparations. Early in 1977 the panel working on the setting up of the exchange warned that: "The whole concept could fall into disrepute by a lack of control over the manner in which options are sold to the public." Subsequent *events* leading to restrictions on the development of new activities in options trading on the five existing U.S. options exchanges and elsewhere in the U.S. have confirmed the need for caution.

A major problem facing the EOE is the fact that it will be *dealing with a large number of* participants over which it has no direct control since they are based outside the Netherlands. It has tried to lessen this risk by requiring that clearing members be companies incorporated in Holland or firms formed as partnerships under Dutch law. *They must have an office in* Amsterdam and a minimum net worth of Fls.500,000 which must be maintained at all times. Their accounts will be certified annually by an independent auditor who is acceptable to the EOE. Since all transactions must pass through a clearing *member the EOE has thus* strengthened its grip on the other three classes of member.

The clearing members will deal directly with the European Options Clearing Corporation (EOCC), fully owned by the EOE itself. The EOCC will be supervised by the Finance *Ministry and Holland's central* bank.

The EOE has also tried to turn the multiplicity of national regulations to its advantage by working through the national stock exchange associations. Public order seats may only be owned by a member authorised to carry out public business in securities in his own country. This has been extended to cover non-members of exchanges who carry out a sizeable volume of business in securities for a wide variety of clients.

Guarantee

Floor brokers and market makers, apart from conforming to the minimum capital requirement of Fls.25,000, must be covered by a guarantee from a clearing member who agrees to accept responsibility for transactions. A similar guarantee must also be gained by public order members. Floor brokers must be individuals, firms or subsidiaries of firms which are members of a stock exchange belonging to the Federation Internationale des Bourses de Valeurs (FIBV) or members of one of the exchange participating in the U.S. Options Clearing Corporation (OCC).

A five-man supervisory commission will watch over the day-to-day affairs of the EOE. Taking its powers from the Stock Exchange Act of 1914, this commission will protect the interests of participants in trading—in particular the public. Before the opening of the exchange this commission reviewed the EOE's regulations and from to-day it will see that these regulations are properly applied. The commission is empowered to gather information from the various administrative bodies of the EOE. It can also order the internal control office of the EOE to carry out checks and report back. The EOE's managing board must report back to the commission any disciplinary action it takes against members.

The commission's wide powers also include the determination of trading hours and methods of trade.

The aim of the commission, which was set up under an order from the Finance Minister, is to allow the EOE to be a self-regulating body. Ultimate responsibility lies with the Finance Minister, however, and he must approve the choice of shares in which options are traded. This gives him the power to veto any further expansion of the EOE's activities.

The EOE believes that several factors will ensure the smooth operation of the exchange. First, detailed preparations have gone into setting it up. Numerous visits to the U.S. options exchanges were made and the advice of the Chicago Board of Options Exchange was sought. The problems which the U.S. exchanges ran into have also been studied by the Dutch.

The EOE is beginning with a very limited number of options, partly from choice and partly because of the limitations imposed in securing the participation of members from several different countries. The exchange hopes to reach its break even volume of about 7,000 contracts a day within 12 months of opening. This is a fraction of the volumes reached on the U.S. options exchanges and will mean the regulatory authorities can more easily follow developments and spot problems at an early stage.

A strict check of the deals carried out will be possible. Public order members will issue a written confirmation of each trade. The numbered receipts will mean that possible disagreements later can be verified. Public order members must also keep an up-to-date record of a client's position in each series of options in which he is active. This must be shown to the client on request.

Regulations aimed at ensuring fair trading also apply to the market maker. At least two will operate in each option class and they will be expected to take positions and trade so as to provide a continuous market *and maintain a consistent* relationship between the various option series.

The EOE plans to match continuously trades throughout the day at the trade matching desk on the exchange floor. This is on the lines of the system used on the Pacific and Philadelphia stock exchanges and allows a more up-to-date view of the market than matching at the end of the session.

Margin requirements have also been set to ensure some degree of cover for the options traded. Public order members must deposit underlying securities with their clearing members *for all of their obligations.* The public order members may in turn require margin from their clients.

The margin may be the underlying security, or cash or approved securities wort[h no] less than 260 per cent. [of] premium received. App[roved] securities include govern[ment] securities issued in the [...] country of any of the pri[...] markets or Certificates [of] Deposit for the under[lying] securities, Treasury bill[s or] third-party bank guarantee[s].

In line with their key [posi]*tion in the whole system* clearing members face [the] strictest capital requirem[ents]. The continuing net capi[tal of] Fls.500,000 which is req[uired] may be raised if the volu[me of] business he carries out [makes] this advisable. Every cle[aring] member must make a min[imum] *initial deposit* equivalen[t to] Fls.24,000 with the cle[aring] fund. After the first cal[endar] quarter this contribution w[ill be] reassessed monthly on the [basis] of Fls.25 per contract o[n the] clearing member's average [daily] open position in the prec[eding] three months.

Default

Should a clearing m[ember] default, the clearing co[rpora]tion can claim all his m[argin] and his clearing fund con[tribu]tion. If this is not enou[gh to] cover the default the cl[earing] corporation will draw pr[o rata] on the clearing fund [con]tributions of the other members

The various national [stock] exchange regulations [which] apply in Europe and th[at] have inevitably thrown up *problems for the EOE.* [Poten]tial German participants [have] problems with a ruling [dating] back to the depression [of the] 1930s. Regulations introdu[ced to] protect the small invest[or by] freeing him from the obli[gation] to meet debts incurre[d in] futures trading would ap[ply to] the EOE's dealings. G[erman] banks and stockbrokers [are] reluctant to carry out [trans]actions for clients in A[mster]dam until they have clear[ed] this problem with their regulatory authorities.

Potential U.K. membe[rs of] the EOE have also had pro[blems] with domestic regul[ations]. British stockbrokers were [wait]ing for a speedy decisi[on on] whether they would [need] licences under the Prev[ention] of Fraud (Investments) [Act] before they could join. B[ut the] Bank of England has agree[d that] U.K. investors can parti[cipate] in options business in E[nglish] *shares in Amsterdam* w[ithout] paying the investment pre[mium].

While the EOE itsel[f has] erected a system of contro[ls and] regulations to prevent [...] the Dutch banking and i[nvest]ment community is also [aware] of the potential da[ngers]. Options are not seen as the [...] medium for the s[mall] investor, although the [banks] will be ready with advic[e for] those clients who are inter[ested]. They will all be approa[ching] the new market with ca[ution] though. They are very awa[re of] the greater experience A[meri]can investors have of this [type] of operation and will not [want] to see their Dutch or Eur[opean] clients taking losses becau[se of] their relative unfamiliarity [with] options trading.

Charles Batch[elor]

Tax considerations

NOBODY SHOULD launch on options trading, or fix on a particular options strategy, without considering such important aspects of the activity as the taxation position and the cost of commission on deals. Since the European Options Exchange will be trading at the outset in options on shares of three countries—Holland, Britain and the U.S.—and afterwards, it is hoped, in those of other European nations, and as it will be open to investors around the world, a variety of tax regimes have to be considered.

Before coming to the tax situation of investors, it is worth noting that the Dutch are anxious to dispel any illusion that the EOE will be a tax paradise with easy pickings for any entrepreneur setting up there: they want appropriate members to join for commercial reasons rather than with an eye to tax-dodging. If concerns come with the latter in mind, they will be disappointed, one tax expert remarks.

Foreign concerns setting up companies in Holland to operate on the exchange, as members or otherwise, will pay Dutch tax as appropriate in the usual way.

As to investors, quite different approaches to options business may well be appropriate for parties as various as entities paying little or no tax—like offshore funds, tax-exempt funds, individuals with no liability to capital gains tax, and those in Britain subject to tax rules which apply somewhat rigorously in certain respects to options dealing.

A major factor affecting all those subject to Dutch tax is that there is no capital gains tax in Holland. This means that an investor there who writes an option to sell shares can add the premium he receives for doing this to his dividend on the shares, so increasing his yield on them without having to consider any gains tax liability. Alternatively, he can regard the receipt as an offset against part of the cost of the shares. If he buys an option and the shares rise, he can sell the option at a profit, again without the prospect of any gains tax. On the other hand, should an option he has bought lose value, or if losses are incurred on an unsuccessful uncovered option, there is no way in which these losses can be offset against any tax liability.

Standards

Against the background of Holland's high living standards and considerable savings rate, some Dutch bankers think that, in the absence of a capital gains tax, options could have considerable interest for a number of better-off individuals in Holland.

The question whether Dutch institutional or company funds could possibly incur any liability to any form of tax through trading in options would have to be considered from case to case. The general view appears to be that such entities as pension funds could safely do options business to any reasonable extent without running any risk of the activity being treated as a trade giving rise to tax liability. The biggest pension funds may well be interested in writing options.

The situation of mutual funds — comparable to British unit trusts—will probably be similar. Larger funds may well be interested in some such activity; Robeco, the largest, has done some options business through Chicago in recent years.

An important factor for all non-Dutch investors to note is that a non-resident of Holland will incur no liability for tax to that country in respect of the premium received from writing an option on the EOE. As there is no capital gains tax in Holland, there is obviously no liability to Holland for such tax on profit from options deals.

Offshore funds in the Channel Islands, West Indies taxhavens and elsewhere, and investment funds managed, for instance, from Switzerland which are for one reason or another effectively free of tax, are also likely to be among those for which use of the EOE would have some attraction in the tax context.

British investors should remember that British tax law at present bears rather hardly on traded options business and its impact tends to favour the exercise of call options rather than their sale. Representations have been made to the Inland Revenue for options to be treated, as the somewhat comparable warrants are, as securities rather than wasting assets, but there is little hope of any immediate change.

The effect of the rules for British investors can be shown by considering the position of the buyer of a call option for, say, 30, entitling the holder to buy the shares of XYZ at 350 within the next six months. If the option expires unexercised, the holder cannot treat the cost of it as a loss for capital gains tax purposes, since the option is regarded as an asset which has wasted away to nothing.

Suppose that the shares were to rise and the option to be sold, half way to its expiry date, at 40, yielding a profit of 10. In this instance, the worth of the option is regarded as having shrunk by half to 15 when it is sold. The taxable capital gain will thus be regarded as 25 (40 − 15) and not the 10 actually received.

However, more favourable treatment is available if the option is held and exercised, when its cost will be added to the cost of acquisition of the shares. If the shares rise to 400 and are bought by the option holder and sold at the same price, then (incidental expenses ignored), the cost is 380 (30 + 350) and the taxable capital gain is 20 (400 − 380). Because of this position, British taxpayers will be more likely to hold and exercise successful options than has been the case on the Chicago Board Options Exchange, where only some 5 per cent. of options are ever exercised.

Gains

As to options business from the viewpoint of the writer (seller), if the option he has written is taken up and he sells the shares, what he receives, including the option premium, and the price of the shares, are proceeds for tax purposes. If the option is not exercised, the premium is regarded as a capital gain. But if an option is bought to match and extinguish the liability under a similar one written, the respective receipt and cost cannot be offset against each other for gains tax purposes.

The question whether activity in options by individuals or companies could be regarded as a trade and taxed accordingly in Britain needs to be considered, as it does elsewhere. But the signs are that it would probably not be, except in special circumstances. It is also not expected that option deals by pension funds, investment trusts and other institutions within reasonable limits would be regarded as a trade, though professional advice on particular circumstances should be sought.

Charges which investors engaging in option deals must allow for include commission, which in the EOE and other traded options markets will be based on the value of the option deal and not, as in the traditional (on-traded) market, on the value of the underlying shares.

Commission will be payable in the currency of the underlying shares and the lengthy negotiations which have taken place with the Bank of England have been designed to allow British investors to pay this charge as well as other costs of dealing on the EOE in options on British shares, without incurring the investment premium.

Commissions will be charged both on the buying or selling of options and on the exercising or assigning (purchasing or putting up) of shares when an option is exercised. Minimum scales have been laid down for charge by the public order member to his client. These taper off as the consideration rises, but are expensive enough for the smallest deals to make commission a major hurdle to the small investor who is not overwhelmingly confident of his judgment.

For single orders for sterling options, the minimum commission for under £59 of money involved in the order is £9.40; for £59-£1,470, 1.3 per cent. plus £7, with a minimum of £15; for £1,471-£2,823, 0.9 per cent. plus £13; and for £2,824 and above, £38.30. For multiple orders, on £17,647 and above of option money, commission rates rise to 0.4 per cent., plus £83.50. Parallel charges are laid down for business in guilders and dollars.

Margaret Reid

View from U.K.

WITH THE opening of the European Options Exchange in Amsterdam, the U.K. investor is offered an intriguing opportunity to trade in options on major U.K. securities outside the London market. With the opening of London's Standard Exercised Price Options shortly afterwards, a choice of market will be presented, and new opportunities will arise—and, unfortunately, new problems too.

The U.K. investor may be relieved to find that English has been selected as the business language of the Amsterdam trading floor. He will also find that since all Amsterdam options are to be priced in the currency of the underlying stock, the price list published from Holland will not look radically different at first from the one quoted in London.

But in truth the similarities between the European Options Exchange and the London traded options market are outweighed by the differences. Some of these differences are technical and offer exciting choices to the British investor. Some are more deeply structural and may have more lasting significance as the two markets develop.

Amsterdam will initially offer option trading in only three major U.K. stocks—BP, GEC and ICI. London will follow suit with a list of ten stocks, taking in Amsterdam's list of three and adding Grand Metropolitan, Land Securities, Coutaulds, Marks and Spencer, Shell, Consolidated Gold Fields and Commercial Union.

With only three U.K. share options quoted on both markets, the immediate choices open to a U.K. investor seeking to trade in options in U.K. securities is small. But of course both markets hope to expand rapidly.

Amsterdam hopes to increase its initial list of options to 60 in the first year, of which 15 would be U.K. stocks. If the Dutch market succeeds in lifting its total to anywhere near its technical maximum of 140 stocks, then its list of U.K. stock options would encompass most of the well-known names.

London has said that further stocks up to a total of 30 or 40 will be added to the present list in due course, so it would clearly be prepared to offer U.K. investors a fully competitive range of option trades.

But it is no secret that the rate of expansion in both markets will hinge upon their success of failure in attracting business. The maxim that "nothing succeeds like success" has proved to be specifically true of option markets elsewhere, and it seems likely that in the long run—or perhaps the short—the U.K. investor will find himself obliged to take his option business to the best and most active market irrespective of geography.

A ruling at the end of last week by the Bank of England has removed what would otherwise have been a major impediment for British investors desiring to deal on the EOE. The Bank has made it clear that payments will be able to be made for options deals on U.K. securities in Amsterdam without any liability being incurred to pay the investment premium.

The Bank has also given consent for British concerns to pay the costs of becoming members of the new Amsterdam Exchange, though, for Stock Exchange firms, there is still a problem under the Prevention of Fraud (Investments) Act 1958 to be sorted out.

Attraction

The ruling now given will have particular significance for investment funds. For them, a prime attraction of traded options is that they enable a major realignment to be made in the portfolio without the share price being driven up against them.

Such an operation would, incidentally, bring the investor up against one of the major doubts about the London system, namely the close proximity on the London trading floor of the trading stands in options and in the underlying stocks.

More serious problems arise from present U.K. tax policies towards traded options (It should be said that U.K. investors trading in the Amsterdam options market will incur no obligations to the Dutch tax authorities.)

London has yet to confirm its commission rates on traded options but it seems clear that they will be competitive with Amsterdam, whose own rates were strongly influenced by the Chicago option market.

The recent finalisation of market technicalities in Amsterdam have thrown up points of detail which could significantly affect trading developments. One such factor is the choice of expiry dates in the two markets which will both trade three-, six- and nine-month options contracts. Expiry dates in Amsterdam will be July, October and January—but with the significant exception of U.K. stocks which trade to a February cycle with the shorter options expiring in August and November.

With two option prices offered for each class of option, investors in U.K. options will have a wider range of choices open to them than will investors in other international stock options.

London's somewhat complicated settlement system seems to be responsible for another minor quirk in the international options system. Expiry date for options in London will always be on the last Wednesday of the last Stock Exchange account in the expiry month. But options will expire in Amsterdam on the Saturday immediately following the third Friday of the expiry month. Thus, U.K. investors will gain two extra days — Thursday and Friday of the final week—if they choose to take their option business across the North Sea.

Both the London and Amsterdam authorities have laid down rules governing the issue of a new series of option if the underlying share price moves significantly. But once again there are slight differences between the two rulings which can only provide the investor with a wider choice.

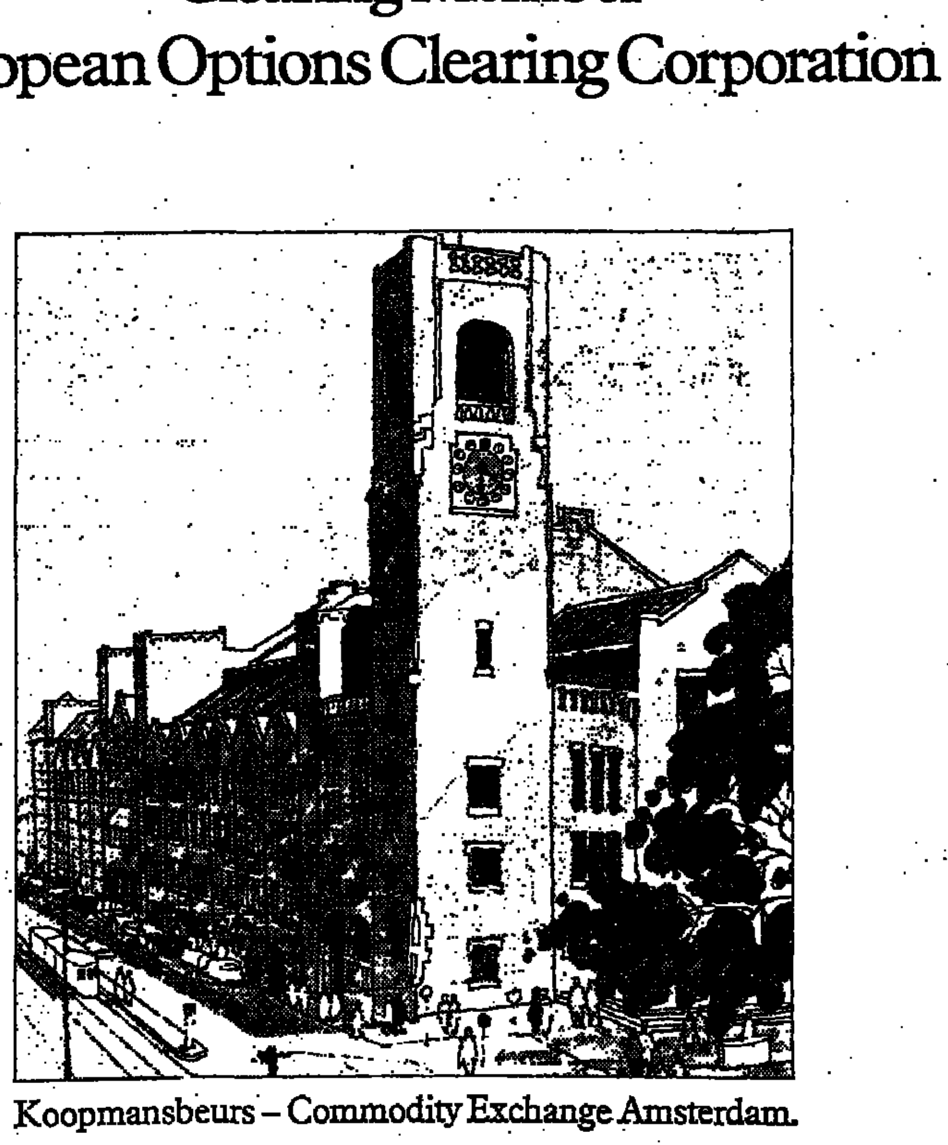
The net results of these mixed rulings will be that options on U.K. stocks, having opened with different time scales in Amsterdam and London, will then see further classes created independently in the two markets. This will have the healthy effect of drawing investors into both markets in order to find the time span or price most attractive to the individual.

For U.K. stockbrokers seeking to participate in the Amsterdam venture, a key and as yet unresolved question is whether they need licences under the Prevention of Fraud (Investments) Act 1958. The relevant U.K. authority has been pressed to confirm that such licences will not be necessary but the problem seems likely to remain unresolved for the present.

Only time will show which market, London or Amsterdam, will end up with the major share of option business in U.K. securities. But past experience indicates that activity is the lifeblood of option trading, and that the busy market attracts the business. Present estimates suggest that by 1981 Amsterdam will be trading around 20,000 contracts a day, against estimates of 6,000 for London.

Meanwhile U.K. investors have plenty of scope for exercising their investment skills in the wide range of opportunities provided in U.K. stock options in the two markets.

Terry Byland



Koopmansbeurs – Commodity Exchange Amsterdam.

Investment strategy

WITH THE operation of the new traded options market in Amsterdam *beginning to-day*, and that of the London market due to start in less than three weeks' time, it might have been supposed that whatever the divergence of views on the utility of the new system there would at least be *some* consensus by now on its use as an investment tool. But not so; the arguments rage as fiercely as ever. Proponents of the new system hold that its use will enable investors to limit their *risks and increase their returns*; opponents hold that it will provide some stockbrokers with a fine opportunity for making money, and a great many other people with a fine opportunity for losing it.

The first point to be made about the use of traded options—or, for that matter, the traditional variety—is that they do not eliminate the responsibility for making investment decisions on the underlying share. The use of options will limit risk—or increase reward—at the margin, on a short-term view; but will not provide a substitute for longer term decisions to sell or to buy.

The second point to be made is that, at least in respect of U.K. investors, the tax treatment of options is still onerous in the extreme. As of here and now options are treated by the Revenue as a wasting asset, whose value declines as it approaches maturity; that being the case, any loss in the value *of the option attributable* to the lapse of time is not allowable for capital gains tax purposes. So anyone who allows an option to expire unexercised is going to end up with a loss which cannot be offset against *gains elsewhere*. The implication is that, unless and until the Revenue's approach is modified—and so far the hopes that it will be seem to rest very largely on the fact that the Bank of England has not opposed the new market—options to buy are assets to be held (at any rate by those liable to capital gains tax) for as short a time as possible.

The purchase of a call option provides, at its most obvious, an opportunity to obtain a relatively high return for a relatively small outlay — assuming, that is, that the price of the underlying stock appreciates enough to cover both premium and commission. However, it can also provide an opportunity to limit risk, in two ways.

Where the investor would have bought the underlying stock, but feared a fall in its price, he can, instead, put most of the money into some form of rather more secure investment — the money markets, for example; and he can spend the balance — just so much as he does not mind losing — on acquiring rights to that stock at a given price. If the price of the underlying stock falls by less than the cost of the premium, then he will, of course, have lost his money; and even if the price of the stock rises, he will have limited his gain. But at least he knows what his maximum exposure will be.

Hedging

Conversely, the bearish investor who wants to sell short can limit his exposure by hedging the sale with the purchase of a call option. Again, he stands to lose the money that he has *spent on* buying the call; should his underlying strategy prove to be right, effectively he will have limited his gain.

For the writer of an option, too, the most obvious benefit is an increase *in* the return. To go by experience so far, relatively few options are likely to be exercised against those who grant them—though that may change as the introduction of a traded options market makes it possible for investors to put a finer price on the balance of risk and reward. Where an option is not exercised, the premium paid to the man who wrote it is so much additional income from his holding in his stock or—if he has taken the high risk course and written an option without the stock to back it up if need be—from his willingness to expose himself to a potentially unlimited risk.

However, writing options can also be a method of limiting the risks implicit in a potential decline in the price of the underlying stock. It is not until the price of that stock has dropped back to his exercise price, less the amount that he made on the premium, that the option writer will be out of pocket. With exercise prices and expiration dates standardised in the new traded options *markets, it will be possible* to write a series of options as a stock falls, closing each of them out in turn by by buy[ing] a matching call option. T[...] will not eliminate the loss [...] the fall, but it will provide s[...] cash from the premiums [...] offset it.

With the new traded opti[ons] markets in operation there [...] from now on be two q[...] specific elements to the inv[est]ment decisions to be made [in] relation to options. The [...] hinges on the question [of] whether the investor's judgm[ent] in relation to the behaviou[r of] the price of the underly[ing] share was accurate; the sec[ond] hinges on the question of w[hat] value is to be attributed to [the] option itself. Since options h[ave] a finite life, and part of [the] value to be attributed to th[em] at any stage will represent unexpired time, the price of [the] option and the price of [the] underlying share will not ne[ces]sarily move in the same di[rec]tion.

The connection ought, h[ow]ever, to be a close one, bec[ause] it is the size of the prem[ium] which will determine inv[est]ment decisions in this mar[ket] rather than the standard exercise price or expira[tion] date. Of course these fac[tors] will affect the price to be [put] upon the premium—in addi[tion] to other facts like the stat[e of] the market, the outlook [for] interest rates, and the exte[nt to] which the underlying sh[ares] have traditionally fluctu[ated]. That last factor—evaluatio[n of] the volatility of the underl[ying] share price—will probably [be] the one on which opinions really diverge, although t[o judge] by the American experience [the] market is likely to be he[avily] influenced by theoretical [pre]mium values establi[shed] through the use of valu[ation] models.

As the stockbrokers [...] busily establishing valu[ation] models of their own kee[p] pointing out, if the size of [pre]miums is to be influence[d by] such considerations, then [...] are something which inve[stors] cannot afford to ignore. I[n all] probability, however, it wil[l] pay anyone—whether in[stitu]*tional investor after an inc*[rease] in his return, or private inv[estor] looking for a flutter—to be [not] too sophisticated about [the] whole affair. The costs of [deal]ing are likely to inhibit really complex attempts t[o fine] tune risk and reward.

Adrienne Gle[...]

How EOE works

WHEN DR. Frans Andriessen, Holland's Finance Minister, this afternoon opens the £3m. European Options Exchange in the converted corn market next to the Amsterdam Stock Exchange, he will mark the culmination of three years' planning of this new market venture which, though Dutch-based, looks well beyond Holland's frontiers.

The international flavour is *seen in the exchange's* structure, with the concept of the central clearing corporation and big clearing members—closely based on the Chicago Board Options Exchange: in its diverse membership: in the range *of shares in which* options will be traded; and in the composition of its ruling Council. In addition to six Dutch members, including the chairman, Mr. E. M. M. Lemberger. the Council will have one British member, Mr. Christopher Whitehead of stockbrokers W. I. Carr, and one each from the U.S. and France.

The nature of the exchange's organisation, *in which* some powerful international concerns will participate along with Dutch banks as clearing members, is essential to the modern idea of trading in share options.

Instead of an option being, as in the old-style business, a bilateral deal between the buyer and the writer (giver), which was either exercised or expired valueless, options will be in standardised form as to exer*cise price and expiry* date, making trading feasible.

Element

A further vital organisational pre-requisite for trading is the arrangement *by which* each option deal, when concluded, is translated into a transaction with the central clearing corporation, so that a major element of assurance and safety is introduced into the whole complex of deals. The European Options Clearing Corporation (owned by the EOE) thus takes over as the counterparty to each participant who deals, standing as the writer to each option buyer and the holder to each writer.

The clearing corporation itself will thus have a series of matching obligations and rights in relation to each deal. Suppose that buyer A purchases an option to acquire shares of XYZ company at 150, the writer being B: the clearing corporation will assume the obligation to deliver the shares, relying on the right it takes over to call on the writer of this, or a similar, option to put up the shares if the option is exercised. If the price rises to, say, 170, the holder may exercise the option, and the clearing corporation will then assign the responsibility to provide the stock at 150 to a party who has written such an option.

The clearing corporation does not, however, deal directly with the ultimate client, who must place his business through a public order member, who, in turn, must use a floor broker if *he is not one himself.*

A further crucial stage in the process is played by the clearing member who stands between the clients and brokers on one side and the clearing corporation on the other, as a guarantee *of the former* to the latter. Clearing members also act as clearers and guarantors for market makers, who will continuously make prices in the various options on the floor of the exchange. In some cases, such as the *international First Options* of Amsterdam, the clearing member has a considerable number of market makers under its wing.

To those coming afresh to traded options busines, the role of the clearing member may be difficult to understand at first, but it is vital in affording a further important layer in the guaranteeing and organising arrangements.

The clearing member in effect *takes responsibility for the* trade he clears (handles), guaranteeing to the clearing corporation that, for instance, the writer of an option will fulfil his commitment to put up shares on which he has written the option *if called upon by* the clearing corporation to do so. In accordance with this, the clearing member is expected to receive, via the public order member, the margin (the shares themselves or cash, etc.) equal to 260 per cent. of the premium (option price), which the writer has to put up as assurance that he can meet his obligation.

Since dealings will be in the currency of the various under*lying shares, it* is appropriate that the clearing members should be sizeable concerns with international connections, banking or otherwise, and there are important stipulations as to their size.

The EOE has accepted *11* clearing members from the 165 applications it has received for different classes of membership—which also include 55 market makers.

One of the clearing members is First Options of Amsterdam (FOA) jointly owned by First Options of Chicago, claimed to be the largest clearing member of the Chicago options exchange, Barclays Kol, the Dutch concern controlled by Barclays Bank International, and British stockbrokers W. I. Carr. FOA offers a clearing service to other members and will also clear for a number of market makers.

Another clearing member is *Merrill Lynch, the U.S. concern* which is the world's largest stockbroker. It will also provide a clearing service and will disseminate material on each day's business on the EOE to a wide range of its offices around the *world. Banque Rothschild of* Paris is another clearing member.

Prominent Dutch clearing members include the large banks Algemene Bank Nederland and its Mees and Hope *merchant banking subsidiary*; Amsterdam - Rotterdam Bank and its Pierson Heldring Pierson subsidiary Rabobank and Nederlandsche Middenstandsbank. Kas-Associatie is another clearing member.

Market makers are *drawn* largely from the U.S. and Holland, while the many public order members include E. F. Hutton International, Societe Generale and Gerard Stevenin of Paris, Bondpartners of Lausanne, Kreditanstalt-Verein of Vienna and the Belgian concerns Kredietbank and Martelaere. The exchange hopes for a wider international membership, from Britain and elsewhere in Europe, as certain national problems are sorted out.

On the wall of the new exchange is a handsome mural, surviving from the former corn market days, depicting first a sower and then a reaper. Sponsors of the exchange will doubtless hope that the second scene proves truly symbolic of a harvest to be reaped in due course from the major outlays of cash and effort on the new project.

M.R.

FARMING AND RAW MATERIALS

Recovery in potato consumption

By Our Commodities Staff

POTATO CONSUMPTION in the U.K. last year recovered dramatically as harvest conditions returned to normal after the previous year's drought.

Figures of food supplies moving into consumption in 1977, which include wastage as well as home and restaurant eating, show consumption of raw potatoes totalled 71.4 kilos a head, 24 per cent. more than in 1976 but "still some way below the 1975 level."

The report, published by the Ministry of Agriculture yesterday, also records an increase in consumption of other vegetables. The total a head was 66.3 kilos against 64.8 kilos in 1976.

Other foods consumed in greater quantities included meat, eggs, oils and fats. But Britons ate less fish, sugar, fruit, pulses and nuts, and grain products. The net result was a marginal fall in the energy value of U.K. food supplies in 1977.

The most dramatic fall was for coffee, which was down nearly 20 per cent. because of exceptionally high prices early in the year. Tea drinking increased mraginally despite higher prices. Beer consumption lost most of 1976's one-litre-a-head rise, settling back to 117.8 litres.

Bulk shipping of commodity exports urged

KUALA LUMPUR, April 3.

MALAYSIAN COMMODITY exporters were urged here to use cargo consolidation schemes and bulk shipments because of rising freight rates fixed by conference shipping lines.

Mr. Lew Sip Hon, Deputy Trade and Industry Minister, opening a meeting on the economics of cargo consolidation, said the Government realised the advantages of cargo consolidation and shipping in bulk. It was prepared to assist shippers in such methods of transportation.

There would be difficulties in implementing a cargo consolidation scheme in the initial stage but they could be overcome with the co-operation of commodity organisations.

He suggested shippers, exporters and commodity organisations should launch a pilot project to test such schemes.

Reuter

Coffee market down after Brazil cuts minimum price

BY RICHARD MOONEY

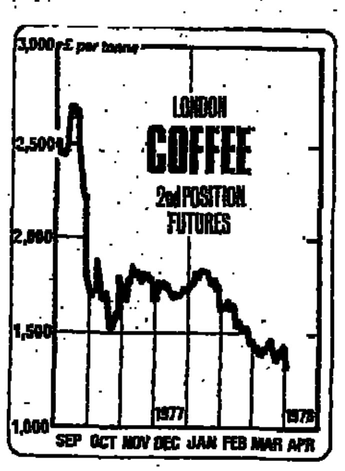
COFFEE PRICES on the London futures market fell yesterday after news that Brazil had reduced its minimum export price and export tax (contribution quota). The July position slipped to £1,310 a tonne in the morning but recovered to close £46.5 down on the day at £1,331 a tonne.

This would seem to imply that the Brazilian news was received bearishly, but most dealers expect the action taken at the week-end, to make Brazilian coffee more expensive on the international markets.

Most Brazilian coffee is exported under "special deals" negotiated directly with major manufacturers. These are offered at prices reduced by discounts which are linked to the difference between the official minimum export price and physical coffee indicator prices calculated by the International Coffee Organisation.

In recent years Brazil's minimum export price has been well above physical prices so a reduction in the former narrows the gap, reducing the value of the discounts.

The latest Brazilian move reduces the minimum export price by 30 cents to $1.70 cents a pound. It is being assumed, according to London market sources, that the discounts will also go down 30 cents a pound. It is not certain, however, whether the calculations determining the special deal price levels have been changed in any other respects.



At the same time the export tax has been reduced by $30 to $90 per 60 kilo bag, equivalent to 22.68 cents a pound. The move appears to have made Brazilian coffee exports 7.32 cents a pound dearer—the difference between the reduction in the discounts and the reduction in the export tax.

This complicated explanation seems to have cut little ice with futures market speculators. They preferred to take the price and tax cuts at face value.

One dealer suggested that the move might have had a psychological effect on the trade (professional dealers) because it took the Brazilian official price well below the traditionally significant $2 a pound level.

Others saw it as "a slap in the face" for the Central American "other milds" producers who recently launched a bid to boost prices by agreeing among themselves to withhold coffee from the export market until prices improved.

Brazilian internal coffee buying arrangements have also been altered. The Brazilian Coffee Institute will buy 1977-78 crop coffee from all sectors of the trade at 2,500 cruzeiros a bag, reports Reuter from Rio de Janeiro.

The institute previously only bought coffee at this price from farmers and co-operatives, whereas the price for other sectors of the trade was 1,250 cruzeiros.

Zinc boosted by output cuts

BY JOHN EDWARDS, COMMODITIES EDITOR

ZINC VALUES rose to the highest level since December on the London Metal Exchange yesterday following news of further production cuts and rumours of a possible rise in the official European producer price.

Cash zinc closed £2.25 higher at £292.5 a tonne, but moved up in late kerb dealings with the three months quotation trading at £302 after closing at £297.25.

After the market closed Asarco, the big U.S. producer, announced it was cutting output at its Corpus Christi electrolytic zinc plant by 50 per cent. due to poor conditions in the domestic industry.

The plant has capacity of more than 100,000 tonnes a year but has been producing at the rate of about 80,000 tonnes.

The Asarco move follows a series of announcements by leading European smelters of production cuts, added to yesterday by a strike at the Societe de Prayon plants in the Liege region of Belgium, and reported stoppages at Vielle Montagne and Hoboken-Overpelt plants.

The series of production cuts announced in the past month by European smelters has aroused feelings that there might be some concerted action by producers to lift prices to more economical levels by reducing supplies.

The latest rise in prices, and fall in the value of the dollar, means LME values are well above the $550 a tonne European producer price. This has led to speculation that it might be raised to $600 soon.

The announcement that the "wildcat" strike at the Hoboken Olen copper refinery last week became official yesterday gave a temporary boost to copper prices. But it had largely been discounted last week and Societe Generale des Minerais confirmed Hoboken would continue to respect copper price fixings, and not declare *force majeure* for the time being. Prices lost ground on the weaker trend in the dollar and profit-taking in a somewhat overbought market. An unchanged warehouse stocks figure, after nine consecutive weekly declines, suggested that the outflow of stocks might have come to an end.

All U.S. producers have moved their prices to 64 cents a pound, and with Zambian supplies cut, they might be less keen to press for import controls when the hearings by the U.S. International Trade Commission start on May 22.

A strike at the Hoboken lead plant, which has an annual capacity of 125,000 tonnes of lead and 1,800 tonnes of silver, lifted lead prices temporarily. But values later fell in line with copper.

Tin was depressed by a decline in the Penang market at the week-end, and an unexpectedly large rise in LME warehouse stocks, which increased 255 tonnes to 3,815 tonnes. Forecasts of fresh arrivals of supplies widened the discount of cash to the three months quotation.

LME silver holdings fell 20,000 to 190,000 ounces. Zinc stocks rose 200 tonnes to 80,350 tonnes and lead by 275 tonnes to 83,275 tonnes.

Cautious trend at tea sales

By Our Commodities Editor

U.K. tea blenders made a cautious return as buyers at the London tea auctions yesterday after a four-week absence. The main buying interest was concentrated in the lower quality range, with little competition above 130p a kilo.

Price indications were quality tea 140p a kilo average, medium 128p and plain 92p. This compares with the last price indications, issued after the February 27 sale, of 152p for quality, 132p medium and 95p plain.

Blenders stayed away from the auctions for three weeks, before the Easter holiday, waiting for Mr. Roy Hattersley, Prices Secretary, to decide whether he would impose a *maximum retail tea price* to force the reductions recommended by the controversial Price Commission report.

Mr. Hattersley concluded that shop prices had come down enough, and it was noticeable at yesterday's auctions that buyers were reluctant to buy teas they might have difficulty in blending down to a lower average price.

But demand is expected to build up again as blenders replenish stocks and retailers *no longer hold off buying in* anticipation of lower prices. London auction prices are still above those in Mombasa and Sri Lanka, but Indian values continue to be boosted to higher levels by strong domestic demand.

Our Colombo Correspondent writes: Pakistan's announcement of increased import duties on bulk teas (45 to 60 per cent.) and on packeted tea (75 per cent.) has caused serious concern here.

Pakistan became Sri Lanka's biggest tea exporter after the Bangladesh war, ousting Britain from its traditional leading position. In 1976, Pakistan bought 46m. kilos of Ceylon tea, spending nearly $100m. Last year Pakistan purchases reached 60m. kilos.

Officials here understand the Pakistani decision to raise the import duty on tea as an attempt not only to reduce big trade balance with Sri Lanka but also as a result of pressure from Bangladesh.

Colombo tea brokers anticipate further large scale smuggling of Indian teas to Pakistan, however. They also expect quality Sri Lanka teas exported to Afghanistan to find *their way to the Pakistani* market, where premium prices could be fetched.

EEC AGRICULTURE

Battle looming on farm price rises

BY MARGARET VAN HATTEM

THE ANNUAL EEC farm price review, which gets down to business in Luxembourg to-day, promises a tough fight for the EEC Commission as it tries to hold farm prices in the Nine to an average rise of just less than 2 per cent. for the next year.

Ministers are not expected to take final decisions on the Commission's proposals, presented last December, before the end of the month. But this week's meeting represents the start of detailed negotiations, delayed until now by the French general election last month.

Mr. Finn Olav Gundelach, the Agriculture Commissioner, has made it clear in the past few months that he intends to take a hard line on prices in an attempt to curb the Community's endemic overproduction.

Few would dispute that consistently high EEC farm prices, which for some products are almost six times as high as those on the world market, have encouraged production way beyond the Community's needs, leading to the notorious "mountains" of *milk powder, beef, sugar and* butter.

But the Ministers who negotiate the prices are Ministers of Agriculture, not food, with the exception of Mr. John Silkin, who is Minister of both Agriculture and Food. Hence they are more interested in protecting farmers' in comes than in shielding the consumer.

Strong pressure for a higher rise in farm prices is expected to come from Germany and the Benelux countries, whose appreciating currencies make it impossible for them to give their farmers an increase in incomes by manipulating the "green currency" rate by which common EEC prices are translated into national currencies.

The weaker currency countries — Britain, France, Italy and Ireland—have all managed to square their positions politically by devaluing their green currencies in the past few months, boosting farm incomes ahead of the private negotiations and thus making a low average rise more acceptable.

France and Ireland will probably seek further devaluations during the price talks this week.

Nevertheless, these countries are unlikely to support an average increase as low as 2 per cent. Even Mr. Silkin, who initially said 2 per cent. was too much and threatened to press for a price freeze on surplus commodities, appears ready to take a softer line.

He is determined that the commission's proposals to continue the U.K. Milk Marketing Boards system should be included in the prices package.

Controversy

These proposals, which would *weaken the Board's monopoly on* the U.K. market but nevertheless allow them to maintain a fairly protectionist policy, are strongly opposed by Germany, Denmark and the Benelux countries, who see a potential market expansion for their currently higher priced dairy products.

Recent comments by British officials indicate that Mr. Silkin might relax his stance on prices if it means getting the milk Boards proposals through.

This week's two-day meeting is expected to open the main areas of controversy in the Commission's proposals. This will enable the Ministers to take up their positions for the most intensive negotiating session, which starts in Luxembourg on April 24.

Milk is likely to prove one of the thorniest issues. The Community's surplus of skimmed milk powder stands at 829,000 tonnes, and priced at nearly six times more than the world market level, will not be easy to dismantle.

The Commission has proposed a 2 per cent. increase in the target price for milk and a 1.6 per cent. rise in the intervention pricef or skimmed milk powder.

But Italy has already rejected this as "unacceptably low" and similar opposition is expected from Ireland and Benelux.

Beef, of which the Community has a 360,000 tonne surplus, is also likely to raise problems. Not so much regarding prices—the Commission has proposed a 1.25 per cent. rise—but with proposals to reform the intervention system, which would allow greater flexibility in suspension of intervention buying.

Proposals to reduce support for sugar producers by cutting the so-called "B" quota to the equivalent of 20 per cent. of the "A" quota, instead of the present figure of 35 per cent., has already been rejected by France and Belgium, though supported by Germany, the U.K., Denmark and Italy. With the community sugar exportable surplus running at 3.3m. tonnes, this is another crucial area.

Indeed the main disputes might centre on ancillary issues, rather than prices. Apart from the milk Boards and beef, other important areas for disagreement are the pigmeat monetary compensatory amounts, and the proposed new EEC common regimes for potatoes and sheepmeat.

Confusion over Kenya maize ban

BY JOHN WORRALL

NAIROBI, April 3.

THERE IS considerable confusion in agricultural circles here over the Kenya Government's ban on the exports of maize. The Maize and Produce Board is trying to get clarification from the Government, especially as the storage facilities of the Board are crammed with maize and farmers are waiting to send in their new stocks.

"Kenya is in a position to export maize now," said Mr. Bill Martin, general manager of the Maize and Produce Board, this week-end.

"Our storage facilities are full and if the farmers cannot send in their new stocks these are likely to be ruined."

The Board had planned to export 3m. bags of maize (11 bags equal one tonne) but this was stopped by the Government during the week.

Mr. Jeremiah Nyagah, Agriculture Minister, said the ban was to ensure "beyond reasonable doubt that the country had enough maize to ensure self-sufficiency."

But Mr. Martin said the Board had a stock of 5m. bags, enough to feed the country for more than a year. In addition farmers in various parts of the country had an estimated 3m. bags in store.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lower on the London Metal Exchange. After falling to £706 on the pre-market owing to the strength of sterling, forward metal rallied to £715 following news of a strike at the Olen smelter. This level attracted profit-taking, however, and the price weakened to close at £708 on the late kerb. Turnover 18,525 tonnes.

TIN—Lost ground. Forward standard metal opened lower at £5,850, reflecting the fall in the Penang market and thereafter fell away following chartist selling and stale bull liquidation prompted by the larger than expected rise in warehouse stocks. Also influencing the weakness of prices were expectations of more deliveries of metal on to the market.

LEAD—Easier. Forward metal weakened to £315 on the pre-market following the downturn in copper. The rally in copper then took the price up to £319 but it fell afresh in the afternoon to close at £317.5 on the late kerb. Turnover 8,475 tonnes.

BRADFORD—The market remains quiet though some topmakers have raised prices 3p-5p, mainly reflecting the fall in the value of sterling.

COFFEE

ROBUSTAS opened sharply lower as ...

Feed barley: S. East £73.30, S. West £73.80, Eastern £73.50, E. Midlands £73.20, N. East £72.90, N. West £73.00, Scotland £74.60, U.K. £73.10. Malting barley: Eastern £77.10, E. Midlands £76.30, W. Midlands £73.30, N. East £80.90, Scotland £80.60, U.K. £78.10.

Highest price paid for malting barley was £83 ...

Scottish medium 50.0 to 63.0, heavy 40.0 to 52.0. Imported frozen: NZ PL 45.0 to 46.0.

Pork: English, less than 100 lbs 37.0 to 43.5, 100-120 lbs 34.0 to 42.0, 120-160 lbs 36.0 to 41.0.

MEAT COMMISSION—Average fatstock prices at representative markets on April 3. GB—Cattle 68.37p a kg.l.w. (+1.29); U.K.—Sheep 140.9p a kg. est. ...

PRICE CHANGES

Prices per tonne unless otherwise stated.

	April 3 1978	+ or —	Month ago
Metals			
Aluminium	£680	....	£680
Free market (cif)	$950-60	....	$950-60
Copper cash W. Bars	£694.5	—8.0	£623
3 months do. do.	£709.25	—9.5	£636.75
Cash Cathode	£684	—10.5	£614
3 months do. do.	£698.75	—9.25	£627
Gold .... Troy oz.	$182.375	—1.25	$184.875
Lead Cash	£311.75	—6.25	£288.25
3 months	£317.25	—5.25	£301.25
Nickel			—
Free Market (cif)	$1.9-2.04	....	$1.85-2.0
Platinum troy oz.	£117.50	....	£114.5
Free Market	£120.2	—0.55	£116.5
Quicksilver (76lb.)	$130/35	....	$125-28
Silver troy oz.	289.05p	+1.2	258.6p
3 months	294.25p	+1.6	263p
Tin Cash	£5,745	—137.5	£6,152.5
3 months	£5,787.5	—116.5	£6,097.5
Wolfram 22.04lb. cif	$147-53	....	$146-5
Zinc cash	£292.5	+2.25	£258.375
3 months	£297.25	+3.0	£259.25
Producers	$550	....	$550
Oils			
Coconut (Phil)	$652.5y	+2.5	$630
Groundnut	$722	....	£601
Linseed Crude (r)	$320	....	$295
Palm Malayan	$573w	+3.0	$556
Seeds			
Copra Philip	$420v	—2.5	$425
Soyabean (U.S.)	$287.5z	+2.5	$257.5
Grains			
Barley EEC			
Home Futures	£79.15	+1.25	£71.15
Maize			
French No. 3 Am	£104.75	+0.25	£100
Wheat			
No. 1 Red Spring	£93y	+2.5	£86.75
No2 Hard Winter	‡	....	‡
English Milling	£97.25	....	£94
Cocoa Shipment	£2,039	—65.0	£1,810
Future May	£1,947	—21.0	£1,744
Coffee Future May	£1,331	—46.5	£1,447
Cotton 'A' Index	69.45c*	....	67.45c
Rubber kilo	48p	—0.5	47.5p
Sugar (Raw)	£102	....	£104
Wooltops 64s kilo	272p	+2.0	271p

Nominal. ‡ Unquoted. q April. s May-June. u June. v April-June. y April-May. z May. x Per ton.

INDICES

FINANCIAL TIMES

Apr. 3	Mar. 31	Month ago	Year ago
235.01	238.61	230.17	274.29

(Base: July 1, 1952=100)

REUTER'S

April 3	Mar. 31	Month ago	Year ago
1433.4	1434.6	1384.6	1733.9

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	April 3	Mar. 31	Month ago	Year ago
Spot	361.16	364.06	355.35	425.63
Futures	347.94	353.38	332.52	409.41

(Average 1924-25-26=100)

MOODY'S

Moody's	April 3	Mar. 31	Month ago	Year ago
Sple Commty	906.7	908.8	882.8	947.0

(December 31, 1931=100)

English Produce—Potatoes—Per 56-lb. Whites/Reds 1.70-2.20. Lettuce—Per 12s 1.20-1.30. Beetroots—Per 28-lb 0.90-1.00. Sprouts—Per pound 0.13. Turnips—Per 28-lb 0.80. Carrots—Per bag 0.60-1.20. Onions—Per 56-lb 1.40-2.00. Swedes—Per 28-lb 0.45-0.50. Rhubarb—Per pound, outdoor 0.10. Cucumbers—Per tray 12/24s 1.30-2.40. Mushrooms—Per pound 0.35-0.40. Apples—Per pound Bramley's 0.14-0.16, Cox's Orange Pippins 0.14-0.21, Laxtons 0.08-0.12. Pears—Per pound Conference 0.11-0.15. Tomatoes—Per pound English 0.37-0.40.

Nickel prices down and up

Entores, U.K. selling agents for Le Nickel, announced a fall in the official prices of nickel, effective immediately. But it said the prices were actually higher than previously.

A spokesman explained that quoted prices had been higher than those actually paid by contract customers. The new prices would be applicable to both contract and new customers.

Nickel rondelles are quoted at £2,461 a tonne, compared with £2,550 previously. The reduction reflects changes in exchange rates.

COTTON

COTTON, Liverpool—Spot and shipment sales in Liverpool amounted to 253 tonnes. Fair demand was scattered among various American-type growths with Middle Eastern supplies predominating, reports F. W. Tattersall.

*

PALMOIL—London. Closing: April 320.00-330.00, May, June, July, Aug. 300.00-330.00, Sept. 290.00-330.00, Oct. 290.00-333.00, Nov. 280.00-315.00, Dec. 280.00-310.00. Sales: Nil.

U.S. Markets

NEW YORK, April 3.

Cocoa—May 162.50 (167.25), July 156.35 (160.75), Sept. 152.90, Dec. 147.15, March 142.90, May 140.35, July 138.90. Sales: 920 lots.

Coffee—"C" Contract: May 162.50-162.55 (170.00), July 145.98 asked (153.00), Sept. 133.70, Dec. 120.50, March 118.50-117.00, May 114.50 nom., July 114.00-115.00, Sept. 110.00-117.00. Sales: 600 lots.

Copper—April 59.70 (60.10), May 60.30 (60.60), June 60.90, July 61.30, Sept. 62.30, Dec. 61.80, Jan. 64.30, March 65.30, May 66.30, July 67.30, Sept. 68.30, Dec. 69.80, Jan. 70.30. Sales: 3,050 lots.

Cotton—No. 2: May 55.60-55.68 (56.00), July 56.70-56.80 (57.12), Oct. 58.53-58.56, Dec. 59.51-59.55, March 61.01-61.05, May 61.90, July 62.70. Sales: 655,000 bales.

*Gold—Not available.

†Lard—Chicago loose 25.75 (same). New York prime steam 27.25 asked (27.25 traded).

‡Maize—May 254½-254¾ (256¼), July 254½-254 (257½), Sept. 253¾, Dec. 255-255½, March 262½-262¼, May 267.

§Platinum—April 230.50 (223.80), July 224.80-225.80 (229.70), Oct. 228.50-229.40, Jan. 232.90-233.10, April 236.60, July 240.80-241.00. Sales: ????? — — $3—

¶Silver—April 529.90 (545.50), May 533.20 (549.00), June 537.10, July 541.00, Sept. 549.00, Dec. 561.30, Jan. 565.40, March 573.80, May 582.20, July 590.80, Sept. 599.40, Dec. 612.10, Jan. 616.30. Sales: 11,500 lots. Handy and Harman spot 539.60 (541.00).

Soyabeans—May 659½ asked (669½), July 665 asked (695), Aug. 657 asked, Sept. 622½-622, Nov. 610½-609, Jan. 614, March 621, May 626.

Soyabean Oil—May 25.15 asked (26.15), July 24.60 asked (25.60), Aug. 23.90 asked, Sept. 22.90 asked, Oct. 21.75-21.80, Dec. 21.50-21.55, Jan. 21.35-21.40, March 21.30-21.40, May 21.20-21.30.

Soyabean Meal — May 171.50-172.00 (173.70), July 174.30-174.50 (181.50), Aug. 175.00-173.50, Sept. 171.50, Oct. 167.50, Dec. 168.00-168.50, Jan. 170.00-170.50, March 172.50.

Sugar—No. 11—May 7.81-7.82 (7.81), July 8.11-8.12 (8.11), Sept. 8.35-8.36, Oct. 8.47-8.50, Jan. 9.00-9.01, March 9.27, May 9.53-9.54, July 9.74-9.76, Sept. 9.92-9.98. Sales: 3,219 lots.

Tin—495-500 asked (500-507 asked).

**Wheat—May 310½-312 (313½), July 313½-312½ (315½), Sept. 316, Dec. 326, March 332½-333, May 335½.

WINNIPEG, April 3. ††Rye—May 113.00 bid (113.00 bid), July 111.00 (111.00), Oct. 110.00 asked, Nov. 107.50, Dec. 108.00.

††Oats—May 80.50 (81.00), July 78.60 asked (78.70 asked), Oct. 77.40 asked, Dec. 75.90 bid.

‡‡Barley—May 80.60 (82.10), July 80.10 bid (81.60), Oct. 79.90 asked, Dec. 79.90 asked.

§§Flaxseed—May 241.00 (242.50 bid), July 239.00 (241.50), Oct. 237.50 asked, Nov. 234.90 bid, Dec. 235.00.

¶¶Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence not available.

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounces—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime Steam f.o.b. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse, 5,000 bushel lots. § $s per troy ounce for 50 ounce units of 99.9 per cent. purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 24 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ $C per tonne.

Limit fall in cocoa

By Our Commodities Staff

NEARBY COCOA values on the London futures market fell the £40 permissible limit yesterday afternoon but staged a substantial rally near the close. July cocoa, which slipped to £1,930 a tonne at one stage, ended the day £21 down at £1,947 a tonne.

The market traded quietly in the morning despite reports that 1,000 tonnes-3,000 tonnes of cocoa powder had been lost in a French factory fire.

SILVER

GRAINS

COCOA

RUBBER

SOYABEAN MEAL

SUGAR

WOOL FUTURES

MEAT/VEGETABLES

STOCK EXCHANGE REPORT

Quiet and uncertain start to the Budget Account

Share index 1.3 lower at 462.5—Properties down again

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Mar. 13	Mar. 30	Mar. 31	Apr. 11
Apr. 3	Apr. 13	Apr. 14	Apr. 25
Apr. 17	Apr. 27	Apr. 28	May 10

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Stock markets lapsed into an air of uncertainty as the new Account got underway yesterday. The approaching Budget served to keep investment interest at a low level, while nervousness in the Gilt-edged market awaiting to-day's Banking figures left its mark on sentiment generally. However, after recording losses ranging to half a point at one stage, long-dated Gilts recovered to close without alternation on balance, but short-dated issues continued to reflect fears of an upturn in interest rates and ended the day with losses ranging to ¼. The Government Securities index eased 0.03 more to 73.86.

Equity markets were not helped by the less optimistic tone of the FT Monthly Survey of Business Opinion and a leading broker's rather gloomy view of prospects for U.K. investment. Leading issues drifted off on lack of support before staging a modest rally in the late dealings in sympathy with the recovery in long-dated Gilts. Final quotations were only slightly lower on balance and the FT 30-share index, which recorded a fall of 3.3 at 3 p.m., ended only 1.3 down on the day at 462.5.

Outside of the leaders, week-end Press comment and bid speculation provided a little stimulus to an otherwise rather drab market. Company trading statements also continued to help relieve the general tedium. Among the sectors, a bearish broker's circular prompted renewed weakness in Properties after last week's setback on dearer money fears. Above-average falls were reflected in the FT-Actuaries index for the sub-section which reacted 2.4 per cent. to 225.87 compared with only a modest loss of 0.7 per cent. to 203.78 in the FT-Actuaries All-Share index.

Gilts sensitive

Weighed down by too many uncertainties, foremost among which was to-day's banks' eligible liabilities and next week's Budget proposals, British Funds traded easier for most of the day. The belief that the authorities were supporting sterling encouraged small buying, but this imparted little by way of a recovery until the late and after-hours' business when medium and longer-dated securities fairly quickly retrieved earlier losses extending to ¼, returning to Friday's list levels. A similar movement at the shorter end of the market was unsuccessful and most quotations here closed lower, usually by $\frac{1}{16}$ or ⅛. Scattered bear-covering ahead of to-day's banking figures was held responsible for the late rally which again demonstrated the current sensitive state of the sector. Corporations went with the early trend in the main funds and sustained falls to ⅜, while John Menzies 9 per cent. Preference made its debut in recently issued Fixed Interest stocks at 104p, after 105p.

Deterred by a combination of sterling's performance in foreign exchange markets and comment bearish of Wall Street's prospects, buyers held off and the investment currency premium thus resumed Friday's late reactionary trend. From an opening rate of around 102 per cent., the premium fell to 99 per cent. before steadying to close a net 2½ points lower at 100 per cent. Yesterday's SE conversion factor was 0.6944 (0.6881).

C. T. Bowring easier

A couple of minor features emerged in a generally lacklustre Insurance sector. C. T. Bowring cheapened 6 to 105p in reaction to adverse comment, but Sun Alliance closed that much dearer at 546p on modest demand ahead of tomorrow's annual results.

Little of interest took place in Banks. Midland, 354p, and NatWest, 274p, both eased a penny but Bank of Scotland held steady at 275p in front of to-day's annual results. Still concerned about the possibility of a rise in interest and credit rates, Hire Purchase continued lower. Lloyds and Scottish gave up a penny more to 94p as did Provident Financial, to 80p, and Wagon Finance, to 90p.

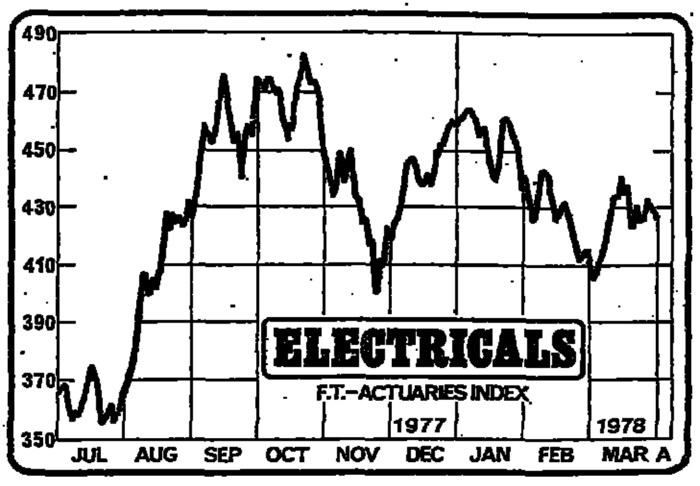
Leading Buildings passed a quiet session and closed with little change. Selected secondary issues recorded reasonable gains. Brown and Jackson responded afresh to further speculative buying and firmed 4 to 57p while in a similar business, Johnson-Richard Tiles and Comben added 3 apiece to 118½p and 32p respectively. An investment recommendation lifted Marchwiel 5 to 274p, while others to record modest gains took in Blockleys, 70p, and Higgs and Hill, 85p. Contracting and Construction issues had a slightly easier bias.

Initially easier at 355p, ICI closed at 358p for a gain of 2 on balance. Carless Capel eased 2 to 29p, but a Press mention left Brent Chemicals 3 up at 203p.

In Cinemas, Scottish TV A fell 9 to 61p following profits below the market's expectations.

Freemans please

Freemans highlighted Stores with a rise of 12 to 284p in response to the better-than-expected preliminary results. Other mail-order concerns moved higher in sympathy with Empire closing 4 to the good at 152p and Grattan a like amount dearer at 129p; the latter's annual results are due to-day. Elsewhere, Combined English touched 77p immediately after publication of the mildly disappointing results but picked up to close a penny harder on balance at 80p on consideration of the encouraging tone of the accompanying statement. W. H. Smith cheapened 2 to 157p ahead of to-morrow's yearly figures, while Marks and Spencer shed 3 to 147p. Among Shoes, Newbold and Burton rose 3½ to 47p following an investment recommendation.



Fractional losses in the Electrical leaders were illustrated by GEC, down a penny at 249p, after 247p, and by EMI, similarly lower at 149p. Outside of the leaders, Henry Wigfall reacted sharply to the lapsing of the Comet Radiovision offer, falling to 195p before closing a net 22 lower at 200p; Comet moved up 2 to 117p. Week-end Press mention stimulated a small interest in MK Electric, 2 better at 164p, and Racal Electronics were the same amount higher after news of the proposed U.S. acquisition. Elsewhere, Unitech met with speculative inquiry and rose 4 to 103p, while Kode continued firmly to 103p ex-dividend, but Lec Refrigeration slipped 3 to 67p and BSR gave up 2 at 88p.

Engineering leaders passed a quiet session and closed mixed. In front of to-day's preliminary results, GKN touched 276p before closing unaltered at 274p, while Vickers hardened 2 to 175p and Tubes cheapened 3 to 364p. Elsewhere, still reflecting the recent good results, Ricardo and Co. found fresh support at 139p, up 6, while improvements of 2 and 3 respectively were seen in Davies and Metcalfe A, 36p, and Mitchell Somers, 63p. Dealings in Gordon Johnson Stephens were resumed at 23p, compared with the suspension price of 18p, following publication of the formal offer document from Simon. By way of contrast, Spirax-Sarco finished 6 off at 270p following the results and proposed 100 per cent. scrip-issue.

Foods generally had a firm undertone with Robertson Foods prominent; the shares jumped 11 to 148p following a revival of speculative bid hopes. The reported interested party, Rowntree Mackintosh, eased 5 to 380p despite a bid denial. Also on speculative interest, Wheatsheaf rose 8 more to 160p, while small buying helped Bishop's Stores add 5 to 160p, and the A 3 to 123p. Others firmer for choice included George Bassett, 133p, and Bejam, 59xd, both of which held gains of around 3. Suggestions that Spillers could sell its baking division prompted a small gain to 30p. Cadbury Schweppes were unmoved following a £90m. U.S. dollar loan agreement part of which will be used to finance the proposed acquisition of Peter Paul Incorporated, the U.S. confectionery company.

Interest in miscellaneous industrials centred upon secondary issues. Letraset touched 142p on speculative buying fuelled by a week-end Press suggestion that Reckitt and Colman could be a suitor, before easing on the Board's denial of any such development to close 8 higher on balance at 133p. Channel Tunnel responded with a jump of 16 to 59p to comment which suggested that the U.K. and France are reviewing proposals for a new cross-channel tunnel project costing £500m. Others to benefit from Press comment were Securicor, 97p, and the "A", 95p, which rose 10 and 7 respectively and British Syphon, a penny harder at 60p. Burndene Investments gained 3 to 16½p in response to an investment recommendation and renewed speculative buying on bid hopes lifted Ofrex 4 to 115p. Further consideration of the record profits helped Dinkie Heel add 4½ to 23p but E. C. Cases lost 2 to 12p following the lower annual earnings.

Leading Motor Components edged firmer late and Dunlop closed 2 better at 82p, while Lucas Industries finished 2½ higher at 280p ex-dividend. Similar improvements were established by Associated Engineering, 111p, and Wilmot-Breeden, 63p. Distributors were featureless apart from Charles Hurst which, late in the day, rose 4 to 86p on the increased profits announcement.

Profit-taking which clipped 22 off the value of Mills and Allen shares last week continued yesterday and prompted a further reaction of 8 to 162p.

Properties gave further ground in the wake of a bearish broker's survey and continued worries over increased interest rates. MEPC, 115p, and English Property, 31½p, both closed at the day's lowest with falls of 7 and 2 respectively, while Land Securities, 208p, eased 4. Great Portland Estates dipped 12 to 278p, while Hamerson A gave up 10 to 555p.

Oils uniformly dull

Wall Street influences aggravated dullness in Oils where the leaders were quoted ex their respective dividend deductions. British Petroleum lost 9 to 752p ex-dividend, the day's low, while Shell were 7 easier at 518p ex-dividend. Investment dollar considerations lowered Royal Dutch 1¼ points to £45½. Secondary issues failed to escape the malaise and Siebens (U.K.) ended 6 off at 252p.

Apart from Investing-in-Success, which met with late support and hardened 3 to 117p, Investment Trusts had little to offer. Dealings restarted in London and Liverpool following details of the mooted cash offer of 21p from Aschheim and Zug; the shares opened and closed at 21¾p, compared with the suspension price of 19.

A friendless market of late, Ocean Transport gave further ground, losing 2 to 122p, after 121p, in reaction to the disappointing annual results. Furness Withy fell 8 to 230p in sympathy.

Textiles failed to adopt a set course. Encouraged by the record profits, Charles Early and Marriott improved 2 to 35p, but week-end Press mention was unable to move British Mohair Spinners, at 39p ex-dividend. David Dixon gained 3 to 69p and Tern-Consulate 2 to 25p, while losses of the latter amount appeared against both Scott and Robertson, 35p, and A. Martin, 82p. Courtaulds finally hardened the turn to 115p.

Only Rothmans, a penny higher at 49½p on business completed late Friday evening, were changed in Tobaccos.

South African Industrials responded to domestic market trends and ignored the fresh reaction in the investment currency premium. Unisec gained 5 to 63p ex-dividend, while Primrose moved up 3 to 84p and Edworks 4 to 35p. Tiger Oats resumed its recent advance to close at a 1978 peak of 550p, up 15.

The Board's strong rejection of McLeod Russel/Sipef S.A.'s increased terms of 150p cash, prompted a swift reversal in London Sumatra which, at 133p, gave back 12 of last Friday's gain of 13.

Quiet Mines

South African Golds were mixed with initial Cape selling being partly met by Continental and U.S. interest in the afternoon following the upturn in the bullion price, although the latter later reacted to close $1.25 lower at $182.375 per ounce in front of to-morrow's International Monetary Fund gold auction. Business in Golds, however, was only modest and the Gold Mines index registered a 1.3 fall at 157.4. Randfontein attracted a good demand and closed ½ higher at a 1978 high of £36⅜ while Free State Geduld hardened ⅛ to £17. On the other hand, losses of ¼ were sustained by Vaal Reefs, £13¼ and Western Holdings, £18.

Among the medium-priced issues Winkelhaak gave up 20 at 673p ex-dividend and East Driefontein 8 to 700p. Kinross fell 13 to 346p ex-dividend. Marginals were erratic with Durban Deep 20 lower at 215p but East Rand Props. 14 firmer at 354p.

In South African Financials Union Corporation were unchanged at 282p ex-dividend and UC Investments 4 up at 230p following favourable Press comment on the possibility of a new uranium-gold mine in the Orange Free State.

But otherwise prices tended to drift with De Beers notably weak at 327p ex-dividend, a fall of 13.

London domiciled financials were featured by Rio Tinto-Zinc which dropped 7 to 195p on profit-taking and the downturn in the copper price. Gold Fields, however, picked up 3 to 186p in line with the improvement in the bullion price. Cape interest lifted Platinums with Rustenburg 3 higher at 81p and Lydenburg, with London buying interest also evident, a similar amount better at 59p.

Premium considerations restricted rises in Australians, but prices continued their recent firmer tendency in line with overnight domestic markets.

Uraniums moved further ahead helped by Press comment. EZ Industries rose another 10 to 175p, Pancontinental 25 to 950 and Peko-Wallsend 5 to 445p.

Among the base-metal producers BH South hardened 2 more to 74p and MIM Holdings a penny to a 1978 high of 167p.

Elsewhere, Anglo-United Development eased 4 to 92p after the sharp rise which followed news of the company's indication of uranium in Ireland. Northgate fell 15 to 310p.

FINANCIAL TIMES STOCK INDICES

—	Apr. 3	Mar. 31	Mar. 30	Mar. 29	Mar. 28	Mar. 23	A year ago
Government Secs.	73.86	73.89	74.05	74.44	74.73	75.27	[illegible]
Fixed Interest	77.16	77.38	77.77	77.90	78.14	78.38	[illegible]
Industrial Ordinary	462.5	463.8	467.7	468.1	460.1	460.5	[illegible]
Gold Mines	157.4	158.7	152.9	156.4	157.7	156.8	[illegible]
Ord. Div. Yield	5.84	5.81	5.77	5.77	5.86	5.86	[illegible]
Earnings Y'ld % (full)(*)	17.17	17.07	17.04	17.05	17.32	17.29	[illegible]
P/E Ratio (net) (*†)	8.18	8.22	8.24	8.24	8.11	8.12	[illegible]
Dealings marked	4,839	5,498	5,045	5,051	4,233	5,462	[illegible]
Equity turnover £m.	—	74.54	72.87	79.86	51.34	62.06	[illegible]
Equity bargains total	—	18,313	19,232	19,907	14,526	14,784	[illegible]

10 a.m. 462.7. 11 a.m. 461.8. Noon 460.5. 1 p.m. 460.8. 2 p.m. 460.4. 3 p.m. 460.5.
Latest Index 01-246 8026.
*Based on 52 per cent. corporation tax. †Nil=8.13.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	73.86 (3/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	77.14 (16/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (8/3)	130.3 (6/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Apr. 3	Mar. 31
—Daily		
Gilt-Edged	168.2	[illegible]
Industries	164.1	[illegible]
Speculative	42.2	[illegible]
Totals	110.1	[illegible]
5-day Av'rage		
Gilt-Edged	166.2	[illegible]
Industrials	167.3	[illegible]
Speculative	48.0	[illegible]
Total	112.3	[illegible]

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (64)

AMERICANS (4)
Barnes Group; Gillette; Crown Zellerbach; Time Inc.
CANADIANS (3)
Bank of Montreal; Rio Algom; Inco
BANKS (2)
ANZ; Comml. Bk. Australia
BUILDINGS (3)
Brown & Jackson; Hedwen-Stuart; Finlan (J.)
CHEMICALS (3)
Akzo; Enalon Plastics; Brent Chemicals
STORES (2)
Allied Retailers; Preedy (A.)
ELECTRICALS (3)
Comet Radiovision; Unitech; Sony
ENGINEERING (7)
Burgess Products; Jenks & Cattell; Davies & Metcalfe A; Meggitt; Locker (T.); Victor Products; Do. A
FOODS (1)
Brooke Bond
INDUSTRIALS (15)
B.H. Prop.; Letraset; Davies & Newman; Securicor; Fogarty (E.); Do. A N-V; G.R. (Holdings); Security Services; Gieves Group; Do. A N-V; Hamilborne; Sotheby P. B.; Hewitt (J.); Sutcliffe Speakman; Kennedy Smale
SHIPPING (1)
Mersey Dock Units
SHOES (2)
Hiltons; Newbold & Burton
SOUTH AFRICANS (1)
Tiger Oats
TEXTILES (3)
Dixon (D.); Mackinnon Scotland; Early (C.) & Marriott
TRUSTS (8)
Crescent Japan; London & Liverpool; Equity Consort; Scottish Continental; Do. Defd.; Sizewell; F. & C. Eurotrust; Throg. 8½pc Ln.
RUBBERS (2)
Guthrie; Muar River
MINES (4)
Randfontein Estates; M.I.M.; ERGO; Yukon Cons.

NEW LOWS (55)

BRITISH FUNDS (2)
Treas. 10½pc 1978; Treas. 3½pc '79-81
CORPORATION LOANS (1)
L.C.C. 5½pc '77-81
FOREIGN BONDS (1)
Peru Assented 3pc
BANKS (2)
Allen Harvey Ross; Lloyds & Scott.
BEERS (1)
Gordon (L.)
BUILDINGS (1)
Breedon Lime
CHEMICALS (2)
Carless Capel; Wardle (B.)
ENGINEERING (1)
Bristol Channel
FOODS (4)
Fisher (A.); Low (W.); Lockwoods; Nurdin & Peac[illegible]
INDUSTRIALS (10)
A.A.H.; Photax (Londo[illegible]; E.C. Cases; Scapa Group; Friedland Doggart; Stocklake; Norvic Secs.; Uniflex; P.M.A.; Watson (R. K.[illegible]
INSURANCE (3)
Provident A; Moran (C.); Do. B
PAPERS (1)
Eucalyptus
PROPERTY (9)
Allied London; English Prope[illegible]; Centrovincial Ests.; Do. 6½pc Cn[illegible]; Do. Cap.; Do. 12pc Cn[illegible]; Gt. Portland Ests.; Stock Convers[illegible]; Lend Lease
SHIPBUILDING (1)
Swan Hunter
SHIPPING (2)
Furness Withy; Ocean Transp[illegible]
SOUTH AFRICANS (1)
Rex Trueform A
TEXTILES (2)
Blackwood Morton; Montfort
TRUSTS (4)
Cumulus Inv.; Fashion & Ge[illegible]; Rosedimond Inc.; N.M.C.
OILS (2)
Attock Petroleum; KCA
OVERSEAS TRADERS (2)
Paterson Zochonis; Paterson Zoch[illegible]
MINES (3)
East Rand Cons.; Rhodesian Co[illegible]; Silvermines

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	1	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	2	[illegible]	[illegible]
Industrials	387	[illegible]	[illegible]
Financial and Prop.	45	[illegible]	[illegible]
Oils	—	[illegible]	[illegible]
Plantation	7	[illegible]	[illegible]
Mines	38	[illegible]	[illegible]
Recent Issues	3	[illegible]	[illegible]
Totals	483	[illegible]	[illegible]

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 21	Apr. 10	Jun. 22	July 4
Apr. 11	Apr. 24	July 6	July 18
Apr. 25	May 9	July 20	Aug. 1

For rate indications see end of Share Information Service

Stocks favoured for the call included Spillers, Keyser Ullmann, Davenports' Brewery, Assam Frontier, Yule Catto, William Whittingham, Town and City Properties, Staflex International, French Kier, Letraset, Adda International, Reed International, Ladbroke Warrants, Thomson Organisation, Selincourt and John Brown. Puts were arranged in Siebans (U.K.), Rowntree Mackintosh, Adda International and Thomson Organisation while double options were transacted in Furness Withy and Letraset. A short-dated put was arranged in Bowater.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	15	752xd	−9	864	720
GEC	25p	10	249	−1	278	237
RTZ	25p	10	195	−7	202	164
Shell Transport	25p	10	518xd	−7	533	484
ICI	£1	9	358	+2	363	328
Scottish TV N/V A	10p	9	61	−9	72	58
Barclays Bank	£1	8	336	—	350	296
British Leyland	50p	8	22	—	27	20
Letraset	10p	8	133	+8	142	98
Menzies (J.) 9% Cum. Pref.	£1	8	104	—	105	104
Burmah Oil	£1	7	44	−2	57	44
BATs Defd.	25p	6	260	—	265	227
Courtaulds	25p	6	115	+1	125	109
EMI	50p	6	149	−1	190	141
Grand Met.	50p	6	103	−1	109	87

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
105	F.P.	26/4	121	112	Saga Holidays	120	+1	6.75	2.3	8.6	8.1

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Amal. Inds. 10.6% 2nd. Prf.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Automated Secs. 8% Cnv. Unsc. Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
25	F.P.	[illegible]	31	[illegible]	H. Industrials	31	+1
30	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	F.P.	[illegible]	[illegible]	[illegible]	Watmoughs	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Group	Mon., April 3, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Fri. Mar. 31 Index No.	Thurs. Mar. 30 Index No.	Wed. Mar. 29 Index No.	Tues. Mar. 28 Index No.
1	CAPITAL GOODS (170)	200.59	−0.4	17.86	5.84	7.87	201.44	202.91	203.47	200.73
2	Building Materials (27)	180.89	−0.6	17.55	5.80	8.22	182.24	182.66	182.82	180.89
3	Contracting, Construction (26)	319.35	+0.4	18.01	4.88	8.28	318.17	322.47	321.41	317.94
4	Electricals (15)	426.75	−0.3	15.59	4.15	9.16	428.21	430.89	433.92	425.66
5	Engineering Contractors (14)	284.23	−0.6	17.66	7.11	7.76	285.84	287.93	288.63	284.73
6	Mechanical Engineering (71)	159.14	−0.7	19.45	6.48	7.09	160.29	161.20	162.18	160.02
8	Metals and Metal Forming (17)	161.68	−0.2	19.31	8.56	6.95	161.97	163.18	162.37	160.89
11	CONSUMER GOODS (DURABLE) (52)	185.28	−0.1	18.24	5.15	7.96	185.41	186.42	185.81	183.38
12	Lt. Electronics, Radio TV (15)	220.26	−0.4	16.17	3.88	8.93	221.10	222.13	221.00	217.78
13	Household Goods (12)	169.05	—	16.90	7.25	8.23	169.02	168.92	168.46	168.30
14	Motors and Distributors (25)	115.08	+0.4	21.78	6.63	6.75	114.64	115.56	114.84	113.91
21	CONSUMER GOODS (NON-DURABLE) (170)	194.22	−0.2	16.30	5.98	8.49	194.65	196.71	197.48	194.81
22	Breweries (14)	223.97	−0.2	14.57	5.94	10.40	224.37	227.29	228.41	225.77
23	Wines and Spirits (6)	251.15	−0.1	16.08	5.73	9.43	251.29	254.40	254.33	249.60
24	Entertainment, Catering (17)	243.30	−0.6	14.17	7.00	10.25	244.71	248.36	249.32	244.28
25	Food Manufacturing (22)	185.20	+0.1	21.43	5.88	6.59	185.06	187.84	187.84	183.37
26	Food Retailing (16)	186.09	−0.2	14.77	4.91	9.77	186.45	191.85	192.26	190.56
32	Newspapers, Publishing (13)	336.47	+0.3	9.99	3.78	14.88	335.58	326.95	329.34	330.52
33	Packaging and Paper (15)	126.08	−0.4	21.19	9.33	6.78	126.57	126.91	127.41	125.47
34	Stores (39)	182.39	−0.6	10.62	4.39	13.84	183.49	186.56	186.53	182.85
35	Textiles (25)	170.60	+0.3	21.70	7.90	5.71	170.04	171.47	172.42	169.42
36	Tobaccos (3)	232.91	+0.1	23.73	8.04	5.01	232.72	233.30	234.79	232.79
37	Toys and Games (6)	100.13	—	20.18	5.92	6.63	100.13	100.61	100.90	100.12
41	OTHER GROUPS (97)	184.79	−0.1	17.49	6.00	7.53	185.02	186.76	186.58	184.28
42	Chemicals (19)	257.20	+0.3	19.45	6.74	7.03	256.38	260.00	260.11	257.02
43	Pharmaceutical Products (7)	244.18	+0.1	11.52	4.14	10.98	243.82	245.59	243.68	240.50
44	Office Equipment (6)	127.74	−0.4	19.00	4.87	6.18	128.20	127.36	128.45	126.25
45	Shipping (10)	419.40	−1.3	23.48	6.99	5.04	425.07	426.21	428.21	428.11
46	Miscellaneous (55)	191.45	−0.5	17.70	6.47	7.71	192.37	194.42	194.19	191.46
49	INDUSTRIAL GROUP (495)	199.36	−0.2	17.11	5.89	8.04	199.83	201.65	202.05	199.02
51	Oils (5)	441.63	−2.8	17.97	4.48	6.64	454.58	453.97	454.06	448.71
59	500 SHARE INDEX	219.69	−0.6	17.10	5.69	7.80	221.07	222.74	223.12	219.88
61	FINANCIAL GROUP (100)	162.89	−1.2	—	5.66	—	164.90	166.55	166.57	165.00
62	Banks (6)	188.51	−0.2	25.39	5.71	5.96	188.80	190.26	189.76	185.67
63	Discount Houses (10)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	225.87	−2.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	203.78	−0.7	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Mon. Apr. 3	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	[illegible]	[illegible]	—	[illegible]
2	5-15 years	[illegible]	[illegible]	—	[illegible]
3	Over 15 years	[illegible]	[illegible]	—	[illegible]
4	Irredeemables	[illegible]	[illegible]	—	[illegible]
5	All stocks	[illegible]	[illegible]	—	[illegible]

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Mon. Apr. 3	Fri. Mar. 31
1	Low	5 years	[illegible]	[illegible]
2	Coupons	15 years	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]
4	Medium	5 years	[illegible]	[illegible]
5	Coupons	15 years	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]

		Monday, April 3 Index No.	Yield %	Friday March 31	Thurs. March 30	Wed. March 29	Tuesday March 28	Thurs. March 23	Wed. March 22	Tuesday March 21
15	20-yr. Red. Deb. & Loans (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Capital Life Assurance♥
Coniston House, Chapel Ash Wton 0902 28511

Key Invest. Fd.		96.28	—	—
PacemakerInv.Fd.		101.80	—	—

Charterhouse Magna Gp.♥
18, Chequers Sq., Uxbridge UB8 1NE 52151

Chrthse Energy	35.6	36.8	—	—
Chrthse. Money	29.2	30.8	—	—
Chrthse. Managed	36.6	38.6	—	—
Chrthse. Equity	33.4	35.2	—	—
Magna Bld. Soc.		124.8	—	—
Magna Managed		153.6	—	—

City of Westminster Assur. Co. Ltd.
Ringstead House, 6 Whitehorse Road, Croydon CR0 2JA. 01-684 9664.

West Prop. Fund	59.9	62.6	—	—
Managed Fund	170.4	179.3	—	—
Equity Fund	56.8	59.7	−0.2	—
Farmland Fund	70.0	73.6	—	—
Money Fund	120.1	126.4	—	—
Gilt Fund	64.2	67.5	—	—
PULA Fund	171.7	175.1	—	—
Pens. Mngd. Cap.	113.4	119.3	—	—
Pens. Mngd. Acc.	117.1	123.2	—	—
Pens. Money Cap.	46.3	48.7	—	—
Pens. Money Acc.	47.8	50.3	—	—
Pens. Equity Cap.	45.6	48.0	−0.2	—
Pens. Equity Acc.	47.1	49.5	−0.2	—

Fund currently closed to new investment.

Perform Units		197.6	—	—

City of Westminster Assur. Soc. Ltd.
Telephone 01-684 9664

First Units	118.6	124.5	—	—
Property Units	54.3	57.0	—	—

Commercial Union Group
St. Helen's, 1, Undershaft, EC3. 01-283 7500

VarAnAcUt.Apr.1		51.75	—	—
Do. Annuity Uts.		17.53	—	—

Confederation Life Insurance Co.
50, Chancery Lane, WC2A 1HE. 01-242 0282

♥Equity Fund	141.1	148.2	—	—
♥Managed Fund	176.5	185.3	—	—
Personal Pen. Fd.	70.2	73.7	—	—
Equity Pen. Fund		200.9	—	—
Fixed Int. Pen. Fd.		201.0	—	—
Managed Pen. Fd.		170.2	—	—
Property Pen. Fd.		129.5	—	—
♥Protected In. Pol.		355.9	—	—

Cornhill Insurance Co. Ltd.
32, Cornhill, E.C.3. 01-626 5410

CCap.Feb.Mar.15		113.5	—	—
GS Spec. Mar. 15	46.5		—	—
Mn.Gth.Fd. Mar. 20	160.0	168.5	—	—

Credit & Commerce Insurance
120, Regent St., London W1R 5FE. 01-439 7081

C&C Mngd. Fd.	122.0	132.0	—	—

Crusader Insurance Co. Ltd.
Vincula House, Tower Pl., EC3. 01-626 8031

Gth. Prop. April 4	71.7	78.8	+4.4	—

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	49.3	51.1	−0.3	6.09

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	106.2	111.7	−0.5	—
Property Fd.	102.7	108.1	—	—
Fixed Interest F.	108.3	114.0	+0.1	—
Gtd. Deposit Fd.	98.1	103.2	—	—

Legal & General Prop. Fd. Mgrs. Ltd
11, Queen Victoria St., EC4N 4TP 01-248 9678

L&GPrp.Fd.Mar. 1	96.5	101.1	—	—

Next sub. day April 1.

Life Assur. Co. of Pennsylvania
39-42 New Bond St., W1Y 0RQ. 01-493 8395

LACOP Units	100.7	105.7	—	—

Lloyds Bk. Unit Tst. Mngrs. Ltd.
71, Lombard St., EC3. 01-623 1288

Exempt	96.6	101.6	—	7.96

Lloyds Life Assurance
20, Clifton St., EC2A 4MX

Mt.Gth. Mar 30		124.56	—	—
OptS Prop. Mar. 30	122.8	129.3	—	—
Opt.SEqty.Mar.30	120.6	127.3	—	—
Opt. Hy. Mar. 30	157.4	165.7	—	—
Opt. 5 Man. Mar. 30	142.7	150.2	—	—
Opt.5 Dept. Mar.30	120.4	126.8	—	—

London Indemnity & Gnl. Ins. Co. Ltd.
18-20, The Forbury, Reading 583511

Money Manager	30.7	32.9	−0.1	—
M.M. Flexible	26.7	28.2	−0.1	—
Fixed Interest	34.6	36.5	−0.1	—

The London & Manchester Ass. Gp.♥
The Leas, Folkestone, Kent. 0303 57333

Cap. Growth Fund		218.3	—	—
♦Exempt Flex.Fd.		128.2	—	—
♦Exempt Prop. Fd.		86.2	—	—
♦Expt. Inv. Tst. Fd.		130.1	—	—
Flexible Fund		105.2	—	—
Inv. Trust Fund		122.1	—	—
Property Fund		81.9	—	—

M & G Group♥
Three Quays, Tower Hill EC3R 6BQ 01-626 4588

Pers. Pension***	205.9	—	—	—
Conv. Deposit*	116.7	122.7	—	—
Equity Bond*	125.9	132.3	—	—
Family 79-80**	148.7	—	—	—
Family 81-86**	164.5	—	—	—
Gilt Bond***	105.4	110.9	—	—
Internatnl. Bond**	89.6	94.2	—	—
Managed Bd***	125.2	131.6	—	—
Property Bd**	154.1	161.9	—	—
Ex. Yield Fd. Bd.*	76.4	80.3	—	—
Recovery Fd. Bd.*	58.5	61.5	—	—
American Fd. Bd.*	46.2	48.6	—	—
Japan Fd. Bd.*	50.1	52.7	—	—

Prices on *Mar. 29. **Mar. 30. ***Mar. 31.

Merchant Investors Assurance♥
125, High Street, Croydon. 01-686 9171

Conv. Dep. Fd.		127.5	—	—
Money Mkt. Fd.		143.2	—	—
Mer. Inv. Man. Fd.		103.0	—	—
Mer. Inv. Pty. Fd.		149.9	—	—
Equity Bond		55.8	—	—
Prop. Pens.		155.7	—	—
Man. Pens.		133.8	−0.3	—
Equity Pens.		158.8	—	—
Conv. Dep. Pens.		137.8	—	—
Mon. Mkt. Pens.		104.0	—	—

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 5911

Nelex Eq. Cap.	76.9	80.9	—	—
Nelex Eq. Accum.	106.7	112.3	−0.8	—
Nelex Money Cap.	60.2	63.3	—	—
Nelex Mon. Acc.	63.2	66.5	—	—
Nelex Gth Inc Acc.	47.0	49.4	—	—
Nelex Gth Inc Cap.	46.6	49.0	—	—

Next sub. day April 25.

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8 %
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
■ Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	8½%	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
■ Charterhouse Japhet	6½%	Shenley Trust	9½%
Choulartons	7½%	Standard Chartered	6½%
C. E. Coates	6½%	Trade Dev. Bank	6½%
Consolidated Credits	6½%	Trustee Savings Bank	6½%
Co-operative Bank *	6½%	Twentieth Century Bk.	7½%
Corinthian Securities	6½%	United Bank of Kuwait	6½%
Credit Lyonnais	6½%	Whiteaway Laidlaw	7 %
The Cyprus Popular Bk.	6½%	Williams & Glyn's	6½%
Duncan Lawrie §	6½%	Yorkshire Bank	6½%
Eagil Trust	6½%		
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8 %		
■ Antony Gibbs	6½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
■ Guinness Mahon	6½%		
■ Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.

Kemp-Gee Management Jersey Ltd.
1, Charing Cross, St. Helier, Jersey. 0534 73741

Kemp-Gee Capital	84.0	86.6	—	—
Kemp-Gee Income	65.5	67.9	—	8.50

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US13.02	+0.02	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at 21st March, 1978 (Base 100 at 14.1.77.)
Clive Fixed Interest Capital 135.42
Clive Fixed Interest Income 122.34

CORAL INDEX: Close 460-465

INSURANCE BASE RATES

† Property Growth 7½%
† Vanbrugh Guaranteed 7.12%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
102½	101⅛	Treasury 10½pc '78‡‡	101⅛	−⅛	10.38	6.16
99⅞	99¼	Exch 5pc '76-78‡‡	99⅛	−⅛	5.03	6.29
105½	103⅜	Treasury 11½pc '79‡‡	103⅜	−⅛	11.08	7.16
97	94½	Treasury 3pc '79‡‡	96½	−¼	3.12	5.80
97⅞	95⅞	Electric 4¼pc '74-79	96⅞	−⅛	4.39	6.49
104⅜	102⅞	Treasury 10½pc '79‡‡	102⅜xd	−½	10.20	8.47
96⅛	94⅞	Electric 3½pc '76-79	95⅜	−¼	3.67	6.55
103⅛	100¼	Treasury 9pc 1980‡‡	100⅝	−¼	8.94	8.62
102⅜	100⅝	Treasury 9½pc '80‡‡	100⅝	−¼	9.44	9.17
95½	93	Treasury 3½pc '77-80	93⅝	−¼	3.74	6.66
96⅛	94	Funding 5¼pc '78-80‡‡	96	......	5.47	7.24
110¼	107¼	Exchequer 13pc 1980‡‡	107⅜	−⅛	12.11	9.75
105¼	103⅝	Treasury 11½pc 1981‡‡	104⅜	−⅛	11.02	9.65
91⅝	90⅛	Treasury 3¼pc 1979-81	90⅛	−¼	3.88	7.38
101¼	99¼	Treasury 9¾pc 1981‡‡	100⅜	+⅛	9.68	9.48
97⅜	95½	Exch. 8¼pc 1981	96⅝	......	8.54	9.49
100½	93⅞	Exch. 9¾pc 1981	99⅝	......	9.54	9.63
87⅛	87⅛	Exch. 3pc 1981	87⅝	......	3.42	7.19
96½	96¼	Treas. Variable '81§§	96⅜	......	6.73	7.59
111	107⅜	Exch. 12¾pc 1981‡‡	108⅜	−⅛	11.79	9.99
99⅛	95⅜	Treas. 8½pc '80-82‡‡	96¾	−⅛	8.79	9.53
86½	84	Treasury 3pc '82‡‡	85½	−¼	3.51	7.37
115⅞	111¼	Treasury 14pc '82‡‡	112⅞	−⅛	12.42	10.82
96	95¾	Treas. Variable '82§§	95⅞	......	6.78	7.66
96½	93⅞	Treasury 8¼pc '82	95⅛	−⅛	8.67	9.65
100¼	96½	Exch. 9¼pc 1982	97¾	−⅛	9.46	9.87
96⅛	95⅜	Exch. 8¾pc 1983●	95⅞	−⅛	9.14	9.90
85¼	81	Exch 3pc '83	82½	−¼	3.64	7.32
114¼	105⅛	Treasury 12pc 1983‡‡	107⅜	−⅛	11.13	9.96

Five to Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
100¼	95¾	Treasury 9½pc '83	98¾	......	9.55	10.03
89⅝	85½	Funding 5½pc '82-84‡‡	86¾	......	6.43	8.73
96⅞	93	Treasury 8½pc '84-86‡‡	94¼	......	9.21	9.88
87⅝	81½	Funding 6½pc '85-87‡‡	81½xd	......	7.93	9.51
89⅝	85	Treasury 7¾pc '85-88‡‡	86	......	9.17	10.28
68⅝	63⅝	Transport 3pc '78-88	64¼	......	4.73	8.38
75⅝	68⅛	Treasury 5pc '86-89	68½xd	......	7.32	9.61
115¼	109⅞	Treasury 13pc 1990‡‡	110⅛	......	12.11	11.82
89⅞	84½	Treasury 8¼ '87-90‡‡	85	......	10.00	10.86
106½	100⅛	Treasury 11¾pc 1991	101⅜	......	11.91	11.94
75⅛	67¾	Funding 5¾pc '87-91‡‡	67¾xd	......	8.49	10.31
112⅛	106	Treasury 12¾pc '92‡‡	107	......	12.20	12.06
96⅛	88½	Treasury 10pc 1992	89⅜	......	11.34	11.73
113	101⅞	Exch. 12¼pc '92	102⅞	......	12.12	12.09

Over Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
110⅝	104⅛	Treasury 12½pc '93‡‡	105⅜	......	12.18	12.11
72⅛	64⅛	Funding 6pc 1993‡‡	65⅛	......	9.26	10.70
120¼	114	Treasury 13¾pc 1993‡‡	115⅝	......	12.45	12.23
128⅞	115¾	Treasury 14½pc '94‡‡	116¾	......	12.56	12.26
114⅝	102¾	Exch. 12½pc 1994	103¾	......	12.21	12.16
89⅞	85	Treasury 9pc '94‡‡	85¼	......	11.00	11.46
106¾	100⅝	Treasury 12pc '95	101⅛	......	12.06	12.06
51⅞	47¼	Gas 3pc '90/95	47¼xd	......	6.35	9.18
95	88⅝	Exch. 10¼pc 1995●	89⅜	......	11.65	11.90
114⅛	107⅞	Treasury 12¾pc '95‡‡	109⅛	......	12.23	12.15
90⅛	81½	Treasury 9pc '92/96‡‡	81½	......	11.11	11.52
131½	119½	Treasury 15¼pc '96‡‡	119½xd	......	12.63	12.37
117⅝	111½	Exchequer 13¼pc '96‡‡	112⅝	......	12.32	12.20
50	46	Redemption 3pc 1986-96	46	......	6.52	9.08
115¼	109½	Treasury 13¼pc '97‡‡	110⅜	......	12.30	12.18
93⅛	90¼	Exchequer 10½pc 1997	90½	......	11.76	11.93
88¼	79	Treasury 8¾pc 1997‡‡	79¼	......	11.16	11.55
72⅛	64⅛	Treasury 6¾pc '95-98‡‡	64⅜xd	......	10.41	11.18
135½	122½	Treas. 15½pc '98‡‡	123⅜	......	12.58	12.36
90½	85½	Treasury 9½pc 1999‡‡	85¾	......	11.35	11.58
96¼	90¾	Treasury 10½pc 1999	91¼	......	11.79	11.93
42⅛	39¼	Funding 3½pc '99-04	39⅝	......	9.01	10.26
80⅝	72½	Treasury 8pc '02-06‡‡	72½xd	......	11.09	11.29
58⅛	51¼	Treasury 5½pc '08-12‡‡	51⅜	......	10.78	11.05
76⅜	71⅛	Treasury 7¾pc '12-15‡‡	71¼	......	11.18	11.18

Undated

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
37⅛	34⅝	Consols 4pc	34⅝	......	11.78	—
37⅛	35½	War Loan 3½pc‡‡	35½	......	10.20	—
39¼	36¼	Conv. 3½pc '61 Aft.	36¼xd	......	9.66	—
28⅛	25⅛	Treasury 3pc '66 Aft.	25⅛xd	......	11.94	—
24½	21⅞	Consols 2½pc	21⅞xd	......	11.42	—
24	21⅛	Treasury 2½pc	21⅛	......	11.85	—

**INTERNATIONAL BANK

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
88	83½	5pc Stock '77-82	83¾	+¼	5.96	9.61

**CORPORATION LOANS

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
98¼	96¼	Birm'ham 9¾pc '79-81	97½	−½	9.49	10.13
94¼	91	Bristol 7¾pc '79-81	92½	−¼	8.38	10.28
107	103½	G.L.C. 12¼pc '82	105¾	−¼	11.82	10.74
112	103¾	Do. 12½pc 1983	107¼	−¼	11.83	11.07
97⅞	94⅛	Glasgow 9¼ '80-82	96½	−½	9.59	10.20
93	90¼	Herts. 5½pc '78-80	92	......	5.71	9.44
99½	97⅞	Liverpool 5¾pc '76-78	99⅛	......	2.82	8.43
102½	97¼	Do. 9¾pc '80-84	98½	......	10.22	10.78
29¾	28¾	Do. 3½pc Irred.	28¾xd	......	12.24	
100⅛	99	Lon. Corp. 6½pc '75-78	99¾	......	6.53	7.64
99¼	92	Do. 9¼pc '84-85	93½xd	......	9.88	10.49
97¼	95	L.C.C. 6pc '76-79	96½	−¼	6.22	8.68
92½	89¼	Do 5½pc '77-81	89¼	−¼	6.16	9.18
87½	79¾	Do 5½pc '82-84	80	......	6.96	10.11
75½	70½	Do 5½pc '85-87	72¾	−½	7.73	10.45
78	72½	Do 6¾pc '88-90	73	−½	9.43	11.02
26½	24½	Do. 3pc '20 Aft.	24½	−¼	12.52	—
93¾	91½	Middx. 5¼pc 1980	93¾	......	5.64	9.03
99½	97½	Newcastle 9¼pc '78-80	98½	−¼	9.39	9.91
106¾	104	Warwick 12½% 1980	105	−¾	11.91	10.23

COMMONWEALTH & AFRICAN LOANS

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
100⅞	98½	**Aust. 5½pc '75-78	99xd	......	5.55	7.39
95¾	93½	**Do. 5½pc '77-80	95⅛	−⅛	5.86	9.37
88¼	84	**Do. 5½pc '81-82	84½xd	−¼	6.51	10.29
98⅝	96¼	**N.Z. 4pc 1976-78	98⅛	......	4.12	8.17
96½	92¾	**Do. 6pc '78-80	94¼	−⅛	6.40	9.62
87¾	85½	**Do. 7½pc '83-86	87	......	8.84	10.26
95	91	Sth. Africa 9½pc '79-81	91½xd	+¼	10.29	12.16
70	55	Sth. Rhod. 2½pc '65-70	55	......	—	—
96	85	Do. 6pc '78-81	88	......	—	—

LOANS

Public Board and Ind.

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
64½	59	Agric. Mt. 5pc '59-89	63½	......	8.02	10.88
90½	88	Alcan 10½pc '89-94	89	......	12.33	12.70
33¾	31	**Met. Wtr. 3pc 'B'	31¼	−¼	9.66	11.27
117	107	U.S.M.C. 9pc 1982	117	......	7.91	5.40
94½	92½	Do. without Warrants	94½	......	9.83	11.50
100	99	Ultramar 7pc '75-78	100	......	7.23	12.20

Financial

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
107¾	103¾	**FFI 13pc '81	105¾	......	12.29	10.58
110	102	Do. 14pc '79	102xd	−1	13.72	12.50
114½	109	Do. 14pc '83	113	−½	12.82	11.73
85	79½	ICFC 5½pc Deb. '80-82	81½xd	......	6.75	10.80
81½	78	Do. 6¼pc Db. '81-84	79½	−½	8.13	11.48
99	95½	Do. 10½pc Uns.Ln. '86	96½	−½	11.18	11.60
99¼	96	Do. 11pc Uns.Ln. '88	96	−1	11.79	12.10
101½	98½	Do. 11¼pc Uns.Ln. '90	99½	......	12.17	12.30
71½	67	Do. 7¼pc A Deb. '89-92	68	......	11.09	12.45
71½	64	Do. 7¼pc A Db. '91-94	65xd	......	11.15	12.20
84½	76½	Do. 9pc 'A' '91-94	77xd	......	11.69	12.30
81¼	74	Do. 8⅞pc Ln. '92-97	75	......	12.08	12.40

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
19½	18	Antofagasta Rly.	18	......	—	—
33	33	Do. 5pc Pref.	33	......	B—	—
98	98	Chilean Mixed	98	......	3	£3.09
370	355	German Yng. 4½pc.	370	......	4½	—
52	46	Greek 7pc Ass	52	......	3½	£6.93
50	46	Do 6pc '28 Stab. Ass.	49	......	6	£6.12
44	40	Do 4pc Mixed Ass.	43	......	4	£4.71
52	42	Hung. '24 Ass.	52	......	4½	5.55
77	70	Iceland 6½pc '83-88	70	......	—	11.80
88	86¼	Ireland 7½pc '81-83	86½	−½	8.83	11.37
91	82½	Do 9¾pc '91-96	83	−½	11.85	12.17
360	265	Japan 4pc '10 Ass.	360	......	—	—
87	77	Do 6pc '83-88	84½	......	6	8.45
160	145	Peru Ass. 3pc	145xd	−3½	3	2.07
75p	75p	S.G.I. 6½pc 1980	75	......	6½	8.67
99	96½	Turin 9pc 1991	$96½	......	9	9.33
DM83½	DM81	Turin 6½pc 1984	DM81	......	6½	11.35
94	94	Uruguay 3½pc	94	......	3½	4.80

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

1978 High	Low	Stock	£	+ or −	Div. Gross	C'vr	Y'ld Gr's
16¾	13½	ASA	16⅝	+⅛	80c	—	2.7
60½	60½	AMF 5% Conv. '87	60½	......	5%	—	f
27½	22	Amax $1	26⅞	−⅝	$1.75	—	3.6
26¼	21¾	American Express	24⅞	−⅜	$1.40	—	3.2
33½	11	Amer. Medic. Int.	16⅜	−¼	30c	—	1.0
15½	969p	Asarco Inc.	14⅝	−⅝	40c	—	1.5
34⅛	28¼	Baker Intnl. Corp. $1	34	+⅜	64c	—	1.1
15⅜	11⅞	Barnes Grp. $6⅔	15⅜	+⅛	90c	—	3.3
26⅜	22	Bendix Corp. $5	26½xd	−⅛	$2.28	—	4.9
16	13	Beth. Steel $8	16	+1	$1.00	—	3.5
946p	625p	Brown'g Fer. c16⅔	898pxd	−33	40c	—	2.5
11⅜	857p	Brunswick Corpn.‖	11⅜	+¼	70c	—	3.5
50¾	41⅞	Burroughs Corp. $5	48½xd	+2	$1.00	—	1.2
35⅞	30½	CBS $2.50	35⅞	......	$2.40	—	3.8
35⅞	28¼	C.P.C. $¼	35½xd	−¼	$2.50	—	4.0
36	32¾	Caterpillar‖	36⅝	−¼	$1.80	—	2.8
23⅛	17⅞	Chase M'htn. $12.5	22½	−⅝	$2.20	—	5.5
17⅝	13⅝	Chesebrough $1	17½	−⅛	94c	—	3.0
942p	765p	Chrysler $6¼	888p	−24	$1.00	—	6.3
16¼	13½	Citicorp $4	16xd	−¼	$1.06	—	3.7
10⅞	733p	City Inv. $1.25	10⅝	−¼	$1.00	—	5.3
19¼	14⅜	Do. Cm. Prf. B $1	18⅞	−⅜	$2	—	6.0
15⅝	12¼	Colgate-P. $1	15⅝	+¼	$1.00	—	3.6
35⅜	29	Colt Inds. $1	34⅜xd	−⅝	$2.75	—	2.9
19⅞	15½	Cont. Illinois $10	18¾	−¼	$1.32	—	4.0
22	17	Cont. Oil $5	20⅝	−¼	$1.40	—	3.8
24½	20⅛	Crown Zell. $5	24½xd	+⅛	$1.90	—	4.4
26⅞	20⅛	Cutler-Hammer $5	26⅝	−¼	$1.40	—	2.9
27⅜	22	Eaton Crp. $0.50	26	−1⅜	$2.25	—	4.9
21½	17¼	Esmark	20⅞xd	−⅝	$1.84	—	5.0
35¼	28¼	Exxon ‖	34½	−¾	$3.20	—	5.2
11⅛	670p	Firestone Tire ‖	11⅛xd	−⅛	$1.10	—	5.6
13¾	11¼	First Chicago	13⅝xd	−⅛	96c	—	4.0

AMERICANS—Continued

1978 High	Low	Stock	£	+ or −	Div. Gross	C'vr	Y'ld Gr's
26	20¾	Fluor Corp. $⅔	24⅞xd	−¾	$1.20	—	2.7
35½	26⅝	Ford Motor $2	35⅛	−⅜	$3.20	—	5.1
19	16⅛	GATX	18⅞xd	−⅛	$2.50	—	7.5
37	29⅝	Gen. Elect. $2½	35⅞	−1⅛	$2.20	—	3.5
21⅛	15⅛	Gillette $1	21⅛	+⅛	$1.50	—	4.0
35¼	28	Honeywell $1.50	33⅝	−1⅛	$1.90	—	3.2
949p	750p	Hutton E.F.	935p	−14	$0.68	—	4.1
188	171	I.B.M. Corp. $5	182	−4	$11.52	—	3.1
40¼	34	Ingersoll-R $2	40	−¼	$3.00	—	4.2
17⅝	735p	Int. Systems & Con. $1	14⅛	−⅞	25c	—	1.0
902p	705p	I. U. International‖	888p	−14	90c	—	5.7
23⅞	18	Kaiser Al. $⅓	22⅝	−¼	$1.60	—	4.0
25¼	20	Manf. Han. US$7.50	25	−¼	$2.08	—	4.7
33⅝	26⅝	Morgan (JP) US$2.5	32¾xd	−⅞	$2.20	—	3.8
14½	12	Norton Simon Inc $1	14¼	−¼	76c	—	3.0
16¼	13¼	Owens-Ill. $3.125	15⅝	−¼	h$1.06	—	3.8
17⅛	14⅛	Quaker Oats US$5	16¾xd	−¼	$1.04	—	3.5
23⅛	15⅛	Reliance $0.25	23¼	−⅛	15c	—	—
25¼	16¼	Rep. N.Y. Corp. $5	23¼xd	−¼	$1.00	—	2.6
12⅝	11	Rexnord $5	12½	−⅛	80c	—	3.6
18¼	14⅛	Richdsn.-Mrrll. $1¼	17¾	−¼	90c	—	2.9
451p	255p	Saul (B. F.) $1	434p	+3	—	—	—
24½	18½	Shell Oil $1	24¼	−¼	h$1.60	—	3.7
15	11⅞	Singer ($10)	15	+⅜	60c	—	2.3
27¼	22⅜	Sperry Rand $0.50	26⅞xd	−⅜	$1.12	—	2.4
27⅛	18⅝	TRW Inc. $1¼	26⅞	−¼	$1.80	—	3.8
23⅜	18⅝	Tenneco	23	−¼	$2.00	—	4.9
139	131	Do. 10% Ln. Stk. 91-95	136	......	10%	—	f7.5
695p	505p	Tesoro Pt. US$0.16⅔	685p	−10	—	—	—
20½	16⅞	Texaco $6.25	20	−½	$2	—	5.6
31	22⅞	Time Inc.	31	+⅝	$1.30	—	2.4
10⅞	865p	Transamerica $1	10⅝xd	−¼	80c	—	4.2
28⅛	21¼	Utd. Tech. $US5	27¼	−⅞	$2.00	—	4.2
22¼	17¾	U.S. Steel $1	19⅝	−½	$1.60	—	4.6
14½	11½	Woolworths $3½	14¼	−¼	$1.40	—	5.6
33	28⅞	Xerox Corp. $1	32¼	−½	$2.00	—	3.5
510p	385p	Xonics Inc. 10c	500p	......	7½c	—	0.8
13⅜	10⅞	Zapata Corp. 25c	13⅛xd	−¼	s30c	—	1.3

S.E. List Premium 43⅝% (based on $US1.8743 per £)

Conversion factor 0.6944 (0.6881)

CANADIANS

1978 High	Low	Stock	£	+ or −	Div. Gross	C'vr	Y'ld Gr's
13⅛	10⅛	Bk. Montreal $2	13⅛	+⅛	$1.06	—	3.8
13⅛	10⅜	Bk. Nova Scotia $1	13⅛	......	92c	—	3.3
37⅜	30¼	Bell Canada 25c	37xd	−⅜	$4.2	—	5.3
18	12	Bow Valley‖	17⅝	−⅜	10c	—	0.3
11¼	825p	Brascan‖	10¾	−⅜	$1.00	—	4.4
18⅞	13⅝	Can. Imp. Bk. $2	18⅝	−⅛	$1.44	—	3.7
11¾	955p	Can. Pacific $5	11⅝	−⅛	97c	—	3.9
37½	35¼	Do. 4pc Deb. £100	35¼	−¼	4%	—	11.2
19¼	16⅛	Gulf Oil Can.‖	18¼	−⅜	$1.06	—	2.7
420p	315p	Hawker Sid. Can.‖	400p	−15	40c	—	4.7
21	16⅞	Hollinger $5	20¾	−¼	$2.06	—	4.7
12⅞	11¼	Hudson's Bay ‖	12⅞xd	−⅛	69c	—	2.5
30¾	24⅞	Hud. B. Oil G. $2½	30¼	−½	$1.60	—	2.5
13½	11⅛	Imperial Oil‖	13	−⅜	86.4c	—	3.1
12⅝	945p	Inco	12⅜	+⅜	$1.25	—	4.7
735p	585p	Int. Nat. Gas $1	725p	−10	80c	—	5.2
10⅝	610p	Massey Ferg.‖	690p	−10	—	—	—
27⅜	21⅛	Pacific Pet. $1	26⅛	−¾	86.4c	—	1.6
69p	50p	Place Gas $1	65½p	+3½	—	—	—
19⅞	15	Rio Algom	19⅞	+⅛	$1.08	—	2.6
19¼	14⅞	Royal Bk. Can. $2	19⅝	−⅛	$1.46	—	3.5
17⅞	13⅛	Seagram Co. C$1	17⅞	−⅛	92c	—	2.5
12½	955p	Tor. Dom. Bk. $1	12⅜	−⅛	76c	—	2.9
10¼	10p	Trans Can. Pipe	10p	−¼	103c	—	0.0

S.E. List Premium 43⅝% (based on $2.1323 per £)

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
243	186	ANZ $A1	243	+3	thQ12.8c	—	3.3	—
293	220	Alexanders D. £1	225	......	14.33	—	9.6	—
£122	£90½	Algemene Fl.100	£122	......	tQ23¾%	2.5	4.9	8.6
535	450	Allen Harvey £1	450	−25	30.72	—	10.3	—
171	150	Allied Irish	169	−1	tQ10.0	—	5.9	—
165	155	Arbuthnot L. £1	157	......	19.25	—	8.9	—
[illegible]								

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	175xd	+1	Q50c	1.3	24.4
24	17	Rhod'n Corp. 16½p	17	−1	0.57	4.3	5.1
73	52	Roan Cons. K4	70	+3	—	—	—
137	122	Tanganyika 50p	125	......	Q11.0	1.1	8.8
80	78	Do. Pref. 80p	80	......	Q9%	16.4	9.0
41	32	Wankie Col. Rh.1	38	......	†Q7½c	1.4	17.8
12½	10	Zam.Cpr.SBD0.24	11½	+½	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
12	10	Acmex 25c	10	......	—	—	—
103	64	Bougainville 50 Toea	103	−2	Q8c	1.4	5.0
77	63	BH South 50c	74	+2	—	—	—
192	148	Conzinc Riotinto 50c	187	−3	Q10c	ϕ	3.3
72	52	G.M. Kalgoorlie $1	64	......	—	—	—
94	81	Hampton Areas 5p	94	......	1.45	4.1	2.3
17	10	Metals Ex. 50c	12	......	—	—	—
167	125	M.I.M. Hldgs. 50c	167	+1	Q9c	1.7	3.3
23	10	Mount Lyell 25c	17	......	—	—	—
2½	1½	Newmetal 10c	1½	......	—	—	—
97	79	North B. Hill 50c	95	−2	Q8c	1.5	5.3
11½	8½	Nth. Kalgurli	11½	......	—	—	—
150	117	Oakbridge $A1	149	−1	†Q11c	1.9	4.6
37	30	Pacific Copper	33	−1	—	—	—
£10	750	Pancont'l 25c	950	+25	—	—	—
18½	12	Paringa M&Ex.5p	15½	+½	—	—	—
445	310	Peko-Wallsend 50c	445	+5	Q15c	4.0	2.1
111	84	Westn. Mining 50c	109xd	−1½	Q6c	1.4	3.4
50	35	Whim Creek 20c	50	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	25	......	†2.51	1.6	15.2
285	240	Ayer Hitam $M1	275	......	‡Q0.67c	0.9	‡
55	45	Beralt Tin	53	......	3.75	2.3	10.7
235	200	Berjuntai $M1	235	......	‡Q110c	ϕ	‡
126	111	Geevor	115		16.1	18.05	3.4
10	8½	Gold & Base 12½p	8½	......	—	—	—
270	225	Gopeng Cons.	225	......	15.0	0.9	10.1
150	130	Hongkong	147	......	—	—	—
93	25	Idris 10p	83	......	7.5	ϕ	13.7
11	10	Jantar 12½p	11	......	—	—	—
73	68	Kamunting $M0.50	69	......	ZQ15.5c	0.7	4.8
450	450	Killinghall	450	......	Q125	ϕ	27.8
320	200	Malay Dredging $M1	285	......	†Q95c	0.8	7.2
50	40	♦Pahang	50	......	†Q2.5	0.5	5.0
58	50	Pengkalen 10p	50	......	6.5	1.3	19.7
190	165	Petaling $M1	175	......	mQ12½c	10.9	1.5
61	49	Saint Piran	50	......	g1.99	4.6	6.0
61	47	South Crofty 10p	50	......	b4.13	1.5	12.5
180	140	South Kinta $M0.50	148	......	tQ77.8c	1.4	11.3
280	240	Sthn. Malayan $M1	240xd	......	tQ131.3c	1.1	11.8
170	134	Sungei Besi $M1	170	......	—	—	—
68	55	Supreme Corp. $M1	68	......	ZQ10c	—	3.2
100	90	Tanjong 15p	93	......	4.5	ϕ	7.3
90	74	Tongkah Hrbr. $M1	85	......	Q66.82%	1.6	14.4
180	148	Tronoh $M1	175	......	ZQ88c	ϕ	10.8

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
96	70	Messina R0.50	88	......	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
9	9	Burma Mines 17½p	9	......	—	—	—
300	220	Cons. Murch. 10c	260	+10	Q30c	2.6	6.9
325	245	Northgate C$1	310	−15	—	—	—
202	164	R.T.Z.	195	−7	t8.5	q3.1	6.6
46½	31	Sabina Inds. C$1	32½	+½	—	—	—
950	750	Tara Exptn. $1	862	−13	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.21	2.5	4.3
152	120	Yukon Cons. C$1	152	+5	Q7c	ϕ	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are *quoted inclusive of the investment dollar premium.*

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✧ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T *Figures assumed.* U *No significant Corporation* Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	43	......
Bertam	15	+1
Bdg'wtr. Est. 50p	278	−4
Clover Croft	22	......
Craig & Rose £1	410	......
Dyson (R. A.) A	41	......
Ellis & McHdy	65	......
Evans Fr'k.10p	57	......
Evered	15¼	......
Fife Forge	47	......
Finlay Pkg. 5p	20xd	+½
Graig Ship. £1	180	......
Higsons Brew	80	......
I.O.M. Stm. £1	147	......
Holt (Jos.) 25p	255	......
N'thn. Goldsmith	56	......
Pearce (C. H.)	129	......
Peel Mills	17	......
Sheffield Brick	46	......
Sheff. Refrshmt.	51	......
Sindall (Wm.)	83	......

IRISH

Conv. 9% '80/82	£95½	......
Alliance Gas	65	......
Arnott	290	......
Carroll (P.J.)	93	......
Clondalkin	95xd	+2½
Concrete Prods.	124	......
Heiton (Hldgs.)	45	+1
Ins. Corp.	200	......
Irish Ropes	132	+2
Jacob	60	+2
Sunbeam	29xd	......
T.M.G.	175	......
Unidare	75	......

OPTIONS
3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	16
B.S.R.	9
Babcock	10
Barclays Bank	25
Beecham	38
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	13
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	15
Dunlop	8½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	23
"Imps"	7
I.C.L.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	13
"Mams"	7
Mrks. & Spncr	11
Midland Bank	25
N.E.I.	20
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	10
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	14
Spillers	4
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6
Property	
Brit. Land	3¾
Cap. Counties	5
E.P.	5
Intreuropean	4
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2
Oils	
Brit. Petroleum	35
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22
Mines	
Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Tuesday April 4 1978

Domestic rate rises held down to 11% this year

BY DAVID CHURCHILL

DOMESTIC rates in England and Wales have risen on average by more than 11 per cent. this year, according to a survey published yesterday of local authority demands.

The survey, carried out by the Rating and Valuation Association, is the first time this year that accurate figures have been published on the Government's success in controlling rate rises after the substantial increases over the past few years. Last year rates rose by an average of 15 per cent.

The association said yesterday that its figures suggested that the Government's target of a 10 per cent. increase overall was being achieved. Although some authorities were increasing rates by up to a quarter, others were in single figures—with a few authorities reducing rates.

The 348 local authorities in the survey—about 86 per cent. of the total number—were split almost equally between those whose rate demands were above and below the Government's 10 per cent. target. Fifty-three per cent. were above and 47 per cent. below.

Local authorities facing elections next month appear to have increased rates the least. The London boroughs are increasing rates by an average of 3.64 per cent., the lowest increase for 10 years. Metropolitan district increases are an average 9.45 per cent., while non-Metropolitan districts average 12 per cent. rises. Welsh authorities are putting up rates by 12.12 per cent. on average.

More than 21%

Commercial rate rises tend to be below domestic rate increases for technical reasons. An Oxford Street department store, for example, faces a £22,000 rise to £1.079m., while a Park Lane hotel is in line for a £5,000 increase to £238,000.

The survey shows that 10 authorities have cut domestic rates this year, with six making no change. Of the 10 authorities which have made cuts, eight are London boroughs. The two outside London are Knowsley, Merseyside, and Newark, Nottinghamshire.

Twelve authorities out of the total of 348 reported increases of more than 21 per cent. Wigan, for example, is increasing rates by 23.2 per cent. and Harrogate by 23.6 per cent.

Local authorities were equally divided over whether to rate empty properties. The trend, the association says, is towards reducing the liability for empty properties with three authorities last year ceasing to rate empty properties at all.

These included Southend, which had previously received about £400,000 in rates from empty properties.

Editorial comment, Page 16

SAMPLE OF AVERAGE DOMESTIC RATE PAYMENTS
1978-1979 COMPARED WITH 1977-78

	Average Domestic R.V. £	Rate Payable 1978-79 £	Rate Payable 1977-78 £	Increase %
LONDON BOROUGHS				
Camden	365	266.09	259.52	2.53
Islington	285	180.69	163.42	10.56
Kensington & Chelsea	533	262.77	243.58	7.87
Westminster	535	283.02	278.74	1.53
Croydon	300	151.50	151.59	—0.60
Harrow	300	190.50	178.56	6.68
Newham	273	180.18	180.18	—
Richmond	279	163.22	161.26	1.20
METROPOLITAN DISTRICTS				
Bradford	119	82.82	78.90	4.96
Manchester	164	158.75	148.26	7.07
Newcastle	148	141.34	118.25	19.52
NON-METROPOLITAN DISTRICTS				
Chester	201	160.50	135.33	18.59
Exeter	176	110.53	102.91	7.42
Maidstone	188	123.48	108.04	14.29
Reigate & Banstead	273	204.86	189.24	8.25
WALES				
Cardiff	170	100.30	90.10	11.32
Swansea	129	95.33	85.01	12.13

Rhodesia talks plan rejected

By Our Foreign Staff

BRITAIN AND the U.S. relaunched their efforts yesterday to convene a conference of all the parties to the Rhodesia dispute, but the plan was immediately cold-shouldered by Rhodesia's domestic nationalist organisations.

Bishop Abel Muzorewa's United African National Council (UANC) in Salisbury branded the idea as "fruitless" and "impudent" while the Rev. Ndabaningi Sithole's party said firmly that the so-called "internal settlement" agreement of a month ago was "final and unalterable."

This hostile response came as the British Government announced that Mr. John Graham, a Foreign Office Under-Secretary, and Mr. Stephen Low, U.S. Ambassador to Zambia, would be setting out shortly, possibly by the end of this week, on another tour of Southern Africa.

They will be trying to clear the way for an all-party conference, bringing together Mr. Ian Smith, the internal nationalist leaders, who have now joined him in Government, and the Patriotic Front alliance, which controls the Rhodesian guerillas.

The aim would be to find some way of reconciling the internal settlement agreement and the separate Anglo-American settlement proposals.

This all-party meeting would form the second stage of the negotiating process. The Foreign Office said yesterday that Britain and the U.S. intend first to hold separate talks with the Patriotic Front on the military aspects of a settlement, a follow-up to talks the two sides held in Malta at the end of January.

Far apart

The Malta talks ended with the two sides still far apart on the terms for a settlement and Britain and the U.S. will be trying at this second meeting to move the Patriotic Front towards the Anglo-American proposals.

Mr. Cyrus Vance, U.S. Secretary of State, and Dr. David Owen, British Foreign Secretary, would attend both the meeting with the Patriotic Front and the wider conference.

The two Governments are hoping to get the meetings off the ground remarkably quickly. Mr. Vance said yesterday that he hoped the Patriotic Front talks could start in Dar Es Salaam on about April 15, with the major conference following at an unspecified venue ten days later.

However, there can be no great optimism about an all-party conference materialising. Yesterday's hostile reaction from Salisbury points up the lack of enthusiasm inside Rhodesia for this plan since it was first mooted by President Carter early last month.

In recent weeks there have been suggestions that the Patriotic Front would be willing to go along with the two-stage frame-work. But both it and the parties to the internal agreement could set unacceptable preconditions. Even if the conference were to take place, bridging the gulf between the internal and external parties would be immensely difficult.

Tony Hawkins adds from Salisbury: The Rhodesian Government remained silent on the conference suggestion but a spokesman thought it would be discussed at Tuesday's fourth meeting of the four-man executive council, comprising Mr. Smith and the three domestic nationalist leaders.

THE LEX COLUMN

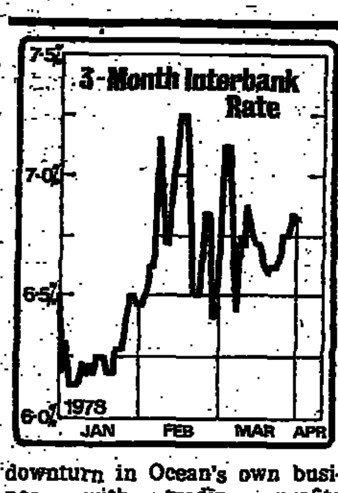
The tide turns at Ocean Transport

With sterling looking stronger, the money markets relaxed a little yesterday. The Bank of England, moreover, is making it clear to the discount houses that there should be no change in MLR this side of the Budget, and indeed it would be embarrassing if there were to be any rise for a few weeks afterwards. That argues in favour of a further period of steadiness for money rates. At 6½ per cent. MLR has now been stable for just about three months, the longest period without a change for nearly two years.

But the monetarists are now moving on to the attack, without waiting for to-day's batch of banking statistics which will include the level of eligible liabilities in March. Over the week-end Tim Congdon of Messel called for higher short-term rates, and a strong blast from Gordon Pepper of Greenwell is imminent.

The official view is that it would be wrong to react to money supply figures which are distorted and which bear no relation to the underlying sluggish state of the economy. But monetarists argue that any excessively buoyant trend becomes a serious matter if it persists for more than six months, as this one now has.

Index fell 1.3 to 462.5



Ocean Transport

Half-way through 1976 Ocean Transport was forecasting pre-tax profits for the full year of £32m. — yet in the event they turned out to be £41.2m. So as the company was talking of a "further useful improvement" in 1977, as recently as late August, analysts were pencilling in £50m. And even though they had been revising their sums downwards recently, they were not expecting pre-tax profits actually to fall £2.1m. to £39.1m. Consequently, the shares slipped another 2p to 122p, where a yield of 10 per cent. underlines the stock market's gloomy conclusion about this sector.

After being 71 per cent. higher in the first half, pre-tax profits were halved in the second six months. The reduction in Ocean's share in Overseas Containers Ltd. was expected to curb the contribution from this direction and there do not seem to have been any surprises on this score with OCL probably making around £50m.

The real surprise was the downturn in Ocean's own business with trading profits reduced by more than half in the second six months. As the bulk of Ocean's revenues are denominated in dollars while costs are incurred in sterling Ocean argues that the appreciation of sterling in the second half of 1977 was what hit hardest.

However, it is clear that Ocean's all important West African business had a particularly tough second half—port congestion was the problem here—while its other liner operations also found the going difficult. The group is saying little about the current year but the appearance of a £5.7m. extraordinary item below the line to cover closure and redundancy costs does not augur well. Given the strength of Ocean's balance sheet, however, it will be a long time yet before Ocean really feels any financial strain.

British Leyland

There are at least three relevant financial questions to raise in the coming debate about the proposed £450m. of new equity for British Leyland. The first concerns the state of the still unpublished balance sheet, which seems to be much worse than could have been anticipated. On the basis of a simple adjustment to the last balance sheet, shareholders' funds could now be about £325m., and the recent letter to shareholders said that borrowings in February amounted to £640m. Yet the debt:equity ratio at the end of 1977 was 75:25, according to the National Enterprise Board, and the injection of £450m. will only improve this to 49:51.

The next question con[cerns] Leyland's ability to mee[t] latest targets, which ar[e to] generate about half its funding needs over the next years (implying cash flo[w] about £850m.) and to achi[eve] return on capital of 10 per [cent] before interest in 1981. A[dmit]tedly this return is only that projected for 1981-82 i[n the] Ryder report, but it is noticeably higher than the [aver]age figure since 1968-69, a[nd] seems to imply profits of over £100m. pre-tax at the [end] of the period.

Finally, it is worth cons[ider]ing whether it is still a[ppro]priate to finance British Le[yland] as though it were a no[rmal] commercial company. [Even] after this enormous injecti[on of] new equity, Leyland's ge[aring] will still look high by pr[ivate] sector standards given the risks involved and the profits record. Since the N[EB's] shareholding is likely to [rise] to around 99 per cent. [after] the deal, maybe it is tim[e to] start wondering whether [the] concept of risk capital ac[tually] means anything any mor[e, or] whether it would be ch[eaper] to nationalise the business right.

Freemans

Despite a slightly disap[point]ing Christmas, Freemans succeeded in maintainin[g its] first half performance with 18½ per cent. up at £166½m [and] volume gains of 2 per [cent.] Although this is almost a[...] below the sector perfor[mance] for the year to end-Ja[nuary,] Freeman's attention to cos[t con]trol over the past two [years] leaves the pre-tax figure [...] per cent. higher at just £13m. This result is o[n the] higher side of market ex[pecta]tions and the shares gaine[d ...] yesterday to close at 284p.

But now the empha[sis is] going to be on growth. [With] what it describes as an [aggres]sive recruitment cam[paign] Freemans has boosted its [number] of active agents by 8½ per [cent.] to 437,000, an all-time [high.] So Freemans is plannin[g for] "good" volume growth in [...] and pre-tax profits of a[bout] £16½m. seem possible. [The] shares may not have run [out of] steam on a fully taxed P[/E of] just under 10½, but the [yield] is a miserable 3.2 per cen[t.]

Sonatrach requests 14-year money

By Mary Campbell

SONATRACH, the Algerian state energy institution, is requesting 14-year money as part of a $350m. Euro-currency loan package it is negotiating.

The demand is causing controversy among international bankers. So far this year they have in general limited themselves to ten-year loans, though they have been involved in two major loans for 12.

Although bankers considering Sonatrach's request for 14-year money say that, if provided, it would take the form of a specialised private loan, it would nonetheless mark a further significant stretching of maturities in this market. This is particularly the case since the norm for major loans to Algeria has recently been limited to seven years.

Sonatrach wants the money to help finance the $3bn. trans-Mediterranean pipeline from the Algerian desert gasfield of Hassi R'mel to Bologna in Northern Italy. According to bankers who are preparing financing proposals, it has asked for $350m. in the form of a Eurocurrency loan, with $70.5m. of this not repayable for 14 years.

The bulk of the finance for the project will take the form of domestic Italian investment or export credits.

A group of eight major banks is being formed to tender for the financing. They are understood to be Amsterdam-Rotterdam Bank, Banca Commerciale Italiana, Bank of America, Bankers Trust International, Banque Europeenne de Credit, Credit Lyonnais, Istituto Bancario Sao Paulo di Torino and Long Term Credit Bank of Japan.

It is thought that one or two other banks are also considering tendering.

Bankers say negotiations on the loan could be protracted. There is a $250m. loan for Sonatrach currently under negotiation (for the LNG II project). Although fully underwritten this is not expected to be offered to the market in general until later this month and will therefore not be completed for several weeks. There are reports of at least one other major loan for Sonatrach in the offing.

Any views taken by banks on Algeria are likely to be heavily influenced by a presentation to be made to bankers in all major European cities in the latter half of this month. Those presenting will include Bechtel (a major contractor for Algeria's natural gas industry) and the American energy consultants Degolyer and McNaughton as well as Sonatrach itself.

British Airways may choose Boeing 737

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is close to choosing the U.S. Boeing 737 short-range jet airliner as its immediate replacement for ageing Trident and One-Eleven jets.

The airline's Board meets this Friday, and is expected to discuss future aircraft procurement policies, but a final decision may take up to another month. This decision will then have to go to the Government for approval.

British Airways initially wants up to 20 aircraft of the 120-seat category, valued at up to £200m. including spares, to replace ageing Trident Ones and Twos by about 1980.

It will need more of these aircraft later, but by the mid-1980s will also need another, larger aircraft in the 160-180 seat category, both to replace Trident Three jets and to cope with traffic growth.

The British Airways plans for both types of new aircraft are of considerable significance, since they are the key to other major decisions that will influence much of the future work-load not only of British Aerospace (the nationalised aircraft manufacturer) but also of Rolls-Royce.

It is understood that on a competitive evaluation of the three contenders for the smaller type of jet—the Boeing 737, McDonnell Douglas DC-9-40 and a modified version of the British One-Eleven with a "hush-kitted" Spey engine—the Boeing 737 won on both economic and environmental grounds.

In addition to wanting the Boeing 737, British Airways is believed also to favour the proposed new Boeing 757 jet for its eventual bigger 160-180 seat jet requirement.

Boeing has offered the U.K. a co-production deal on the 757, with British Aerospace building a substantial part of it, and Rolls supplying its RB-211 engine in the Model 535 version of 32,000 lbs thrust.

British Airways is well aware that its preference for Boeing jets will incur considerable opposition, both in some parts of the aerospace industry and in the Government.

Senior civil servants in the Treasury and the Departments of Trade and Industry are believed to favour the Boeing purchase on economic grounds. They are supported by Rolls-Royce, which sees an eventual market for its engines in the later Boeing 757 aircraft.

The top management of British Aerospace, however, is in favour of the airline buying the One-Eleven initially, and then a proposed Euro-jet aircraft, which is now being discussed with European manufacturers, and which will rival the Boeing 757.

Giro's new challenge to banks

BY JOHN LLOYD

THE Post Office's National Giro is introducing three services to-day which will allow it to compete on almost equal terms with the High Street banks.

At the same time, two Midland-based building societies which are to be merged soon will stock American Express travellers' cheques to allow investors to use savings for holiday spending.

THE DEPOSIT account is the most important of the new Giro services, since the lack of the facility was felt to be the chief reason for the clearing banks' relative advantage over Giro.

The Giro deposit account will pay an interest rate of 4 per cent. a year, 1 per cent. more than the clearing banks. A bonus of ½ per cent. interest will be paid on the minimum balance held in the account in each six-month period.

Giro will introduce budget accounts and bridging loans. The budget accounts, as at clearing banks, are aimed at smoothing out bills to provide regular payments. Charges for the accounts are £3 a half-year, and interest when the account is overdrawn at Giro base rate —now 6½ per cent.—plus 4 per cent.

The bridging loans will assist with initial deposits and with bridging finance in house-buying. Charges will be £2.50 per £1,000 borrowed, and interest will be at Giro base rate plus 3½ per cent. a year.

Giro's policy in recent months has tended to emphasise the importance of the individual customer, where previously it concentrated largely on acquiring corporate accounts.

It has 550,000 individual customers, of whom half have their pay transferred directly from their employer's account to their own. To encourage pay-credited accounts, Giro is offering a free current account to customers who adopt the arrangement.

THE TWO building societies—Wolverhampton & Mercia and Midshires—which have 200,000 members between them, will stock American Express travellers' cheques in sterling as an over-the-counter service. They will have the facility to offer the cheques in a variety of foreign currencies.

The two societies will merge in October.

£26m. tiles company offer

BY NICHOLAS COLCHESTER

SHAREHOLDERS IN Johnson-Richards Tiles, one of the largest makers of ceramic tiles in Britain, were told last night that Hepworth Ceramic Holdings was prepared to make an offer worth 120p per share, or a total of £26m., for their company.

The announcement came, unusually, from the company being bid for after a last-minute consultation with Hepworth's advisers who, until then, had been hoping to win Johnson-Richards' agreement before revealing the offer.

The terms of one Hepworth share and 39p in cash for each Johnson-Richards share were worth 118p a share at last night's price for Hepworth of 79p—which was 2p higher when the offer was first made.

Although Johnson-Richards has told its shareholders that the offer is there, its Board has yet to make up its own mind on the terms. One factor behind this preliminary announcement may be a group of major shareholders controlling some 25 per cent. of the Johnson-Richards equity.

Continued from Page 1

Dollar below Y220

of $6bn. in the first quarter of 1978.

With a month to go before the meeting in Washington, on May 3, between Mr. Fukuda and President Carter, Japanese officials are keen to make good on at least one of the three key promises made by Mr. Fukuda when the two leaders met in March, 1977. That pledge was not to intervene on exchange markets except to iron out erratic fluctuations in the yen-dollar rate.

The other two pledges were:

- That Japan would achive 6.7 per cent. growth in fiscal 1977;
- That the current account would be $700m. in deficit this fiscal year.

As regards the first economists now reckon Japan's growth in the year to March which was a much slower 5.2 per cent. rise in real gross domestic product. As for the latter, Mr. Fukuda's words were very wide off the mark; most economists put the current account surplus for Japan in fiscal 1977 (ended March 31) at about $14bn.

Peter Riddell, Economics Correspondent writes: The dollar also came under pressure in the main European markets in the morning, but the combination of central bank intervention and some profit-taking led to a recovery later in the day.

Consequently, the dollar closed slightly up on the day at D-mark 2.0080, compared with a low of D-mark 1.9880. There was a marked rise against the Swiss franc from Sw.Frs.1.83 on Friday night to Sw.Frs.1.8505 at the close although it touched a low of Sw.Frs.1.8160 during the day.

The fluctuations of the dollar were also reflected in the performance of sterling which touched $1.87½ at one stage before closing half a cent up at $1.8680.

However, the Bank of England again intervened visibly in the morning to prevent a decline in sterling compared with the stronger European currencies in face of quite a lot of small selling. This was in line with its aim of steadying the rate after the recent sharp decline.

Weather

U.K. TO-DAY

MOSTLY dry, with some rain or sunny periods.

London area, S.E. England, E. Anglia

Mostly cloudy, occasional drizzle at first. Max. 9C (48F).

S.W. and Cent. Southern England, Midlands, Channel Is.

Mainly dry. Rather cloudy, some bright intervals later. Max. 9C or 10C (48F or 50F).

E., N.E. and Cent. Northern England, Borders, Edinburgh and Dundee areas

Cloudy, occasional drizzle. Max. 7C (45F).

N.W. England, Wales, Lake Dist., Isle of Man

Mainly dry, sunny periods. Max. 10C or 11C (50F to 52F).

S.W. and N.W. Scotland, Glasgow Area, Argyll, N. Ireland

Mainly dry, sunny periods. Max. 10C (50F).

Aberdeen area, Central Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland

Occasional drizzle, becoming mostly dry. Max. 6C to 8C (43F to 46F).

Outlook: Cloudy in the east, mostly dry in west.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amsterdm	C	7	45	Madrid	F	13	55
Athens	C	16	61	Manchestr	C	8	46
Bahrain	S	27	81	Melbourne	S	15	59
Barcelona	S	15	59	Milan	C	13	55
Belfast	C	8	46	Montreal	C	−2	28
Belgrade	S	19	66	Moscow	S	5	41
Berlin	C	11	52	Munich	R	9	48
Birmnghm	C	6	43	Newcastle	R	6	43
Bristol	C	7	45	New York	C	4	38
Brussels	F	13	55	Oslo	F	6	43
Budapest	F	15	59	Paris	C	11	52
B. Aires	S	25	76	Perth	C	22	72
Cairo	S	24	75	Prague	C	10	50
Cardiff	C	7	45	Reykjavik	C	7	45
Chicago	C	9	48	Rio de J'o	C	30	86
Cologne	F	13	55	Rome	C	16	61
Copenhagn	C	5	41	Singapore	S	31	88
Dublin	C	8	46	Stockholm	S	6	43
Edinburgh	C	6	43	Strasbourg	C	11	52
Frankfurt	R	13	55	Sydney	C	22	72
Geneva	C	12	54	Tehran	S	20	68
Glasgow	C	7	45	Tel Aviv	S	19	66
Helsinki	F	5	41	Tokyo	R	6	43
H. Kong	C	18	64	Toronto	C	−1	30
Jo'burg	S	22	72	Vienna	C	10	50
Lisbon	C	14	57	Warsaw	C	12	54
London	R	7	45	Zurich	C	11	52
Luxembrg	C	10	50				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	S	16	61	Jersey	C	8	46
Algiers	F	17	63	Las Palms.	C	18	64
Biarritz	C	11	52	Locarno	F	15	59
Blackpool	C	9	48	Majorca	F	16	61
Bordeaux	F	13	55	Malaga	S	20	68
Boulogne	Fg	8	46	Malta	C	14	57
Casablnca	C	17	63	Nairobi	R	21	70
Cape Tn.	C	18	64	Naples	R	11	52
Corfu	C	17	63	Nice	S	17	63
Dubrovnik	F	17	63	Nicosia	F	19	66
Faro	S	16	61	Oporto	C	13	55
Florence	S	17	63	Rhodes	S	18	64
Funchal	C	18	64	Salzburg	F	13	55
Gibraltar	S	17	63	Tangier	F	14	[illegible]
Guernsey	C	8	46	Tenerife	C	14	57
Innsbruck	F	13	55	Tunis	R	13	55
Inverness	C	7	45	Valencia	S	19	66
Is. of Man	S	10	50	Venice	S	15	59
Istanbul	F	15	59				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Fg—Fog.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd., 1978

هكذا من الأصل